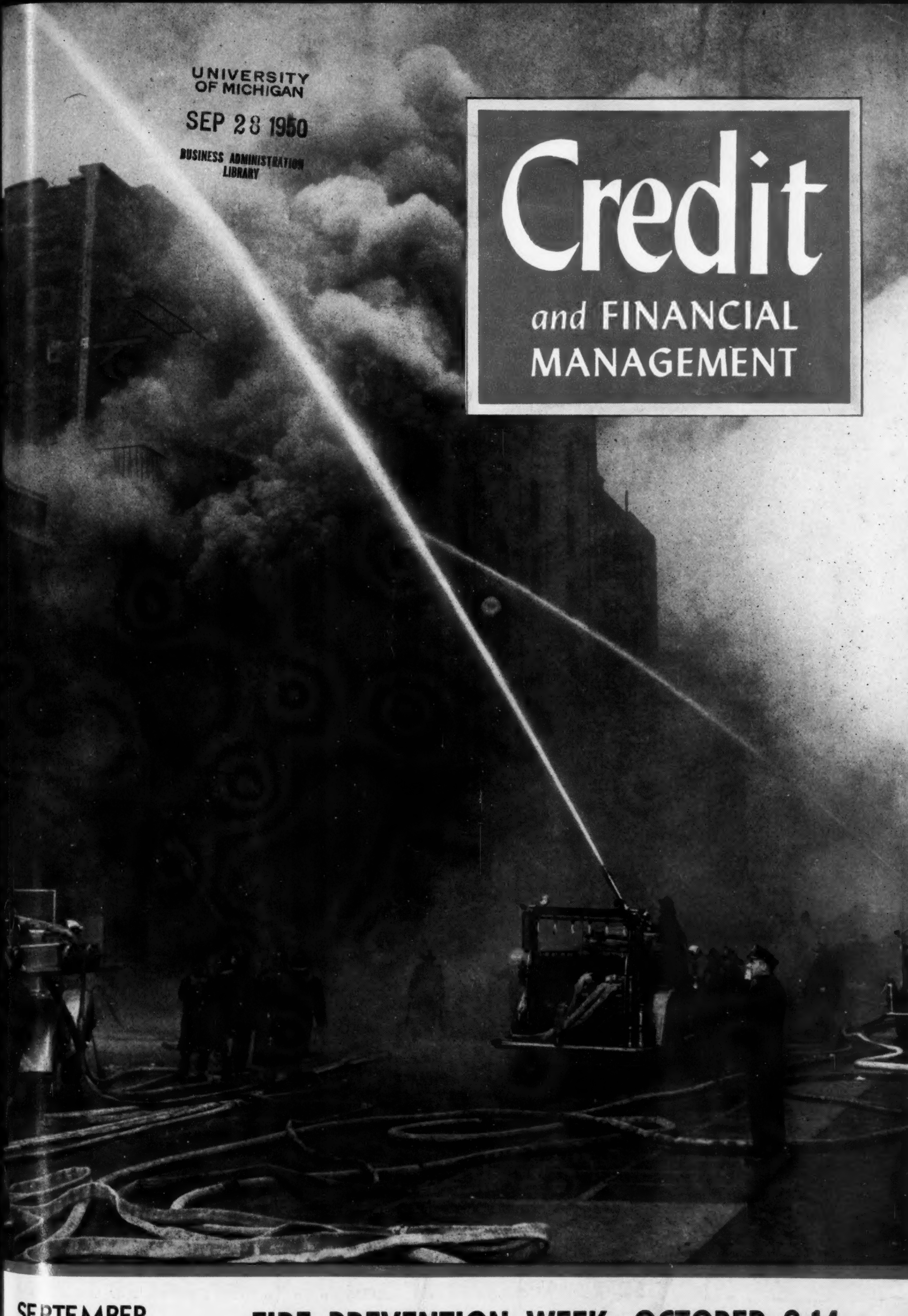
Credit
and FINANCIAL MANAGEMENT



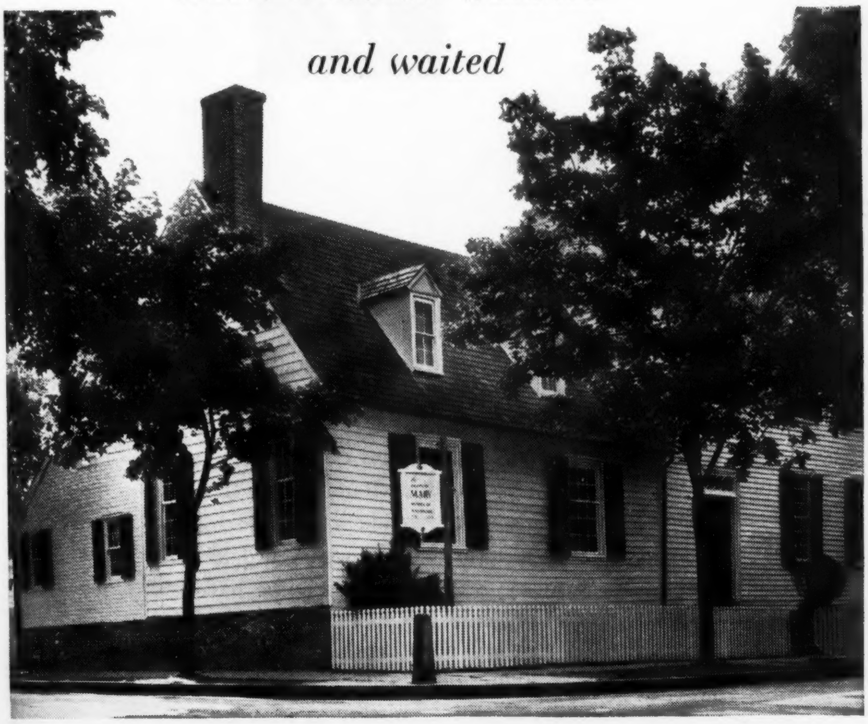
SEPTEMBER
1950

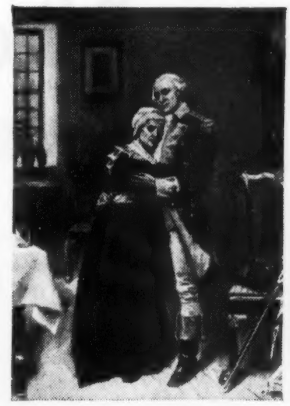
FIRE PREVENTION WEEK, OCTOBER 8-14

Famous American Homes

THE LITTLE HOUSE IN FREDERICKSBURG

where a mother watched and waited





The last farewell

GEORGE WASHINGTON would have joined the Royal Navy in his youth if his mother had not objected. She was not overjoyed when he became a soldier some years later but throughout his military career she bore herself with courage though she once expressed the fear that eventually the king would "catch George and hang him."

During the last years of her life Mary Ball Washington's home was a little house in Fredericksburg, Virginia, which George purchased in 1772. Despite her reluctance to leave the farm across the Rappahannock where she had lived since her husband's death, at Washington's urging she moved to Fredericksburg probably about 1774 when war threatened. Nearby lived her daughter Betty Lewis, mother of eleven children.

Whenever possible Washington came to see his mother but transportation difficulties and pressing military problems frequently prevented visits for long periods of time. Mary passed the anxious days visiting her daughter, driving to her old farm, spending hours in prayerful solitude on the rocky ledge now known as Meditation Rock.

Huge open fireplace in the brick-paved kitchen

Though the house and its visitors aroused much local excitement, Mary always kept her emotions under control and used to curb her daughter with the admonition that the sister of the commanding general should display faith and fortitude. Once when Washington's arrival was announced, she said calmly, "George is coming to see me. I shall need a clean white apron." Sometimes a messenger brought tidings and the townspeople would hover near to hear the news. On one such occasion Mary tartly remarked, "Tell the gossips George sends me word that Cornwallis has surrendered."

One day Mary Washington was working in her garden when her grandson brought a distinguished visitor. It was the Marquis de Lafayette who had come especially to meet her. Laying down her garden tools, she received her illustrious guest with her usual poise and regaled him, according to legend, with the gingerbread for which she was famous.

Appearing publicly with his mother at the Peace Ball to which he escorted her, Washington expressed thanks to the people of Fredericksburg for their kindness to his "reverend mother by whose maternal hand (early deprived of a father) I was led from childhood."

After being elected President, Washington visited his mother for the last time and, kneeling, is said to have asked her blessing. She died five months later in August, 1789.

Mary Washington's home is now maintained by the Association for the Preservation of Virginia Antiquities in lasting tribute to a great mother.

* * *

The Home, through its agents and brokers, is America's leading insurance protector of American homes and the homes of American industry.

Editorial

The Foundation of Every State is the Education of its Youth

THIS month once again millions of young Americans will answer the school bell in grade and high schools, colleges and universities.

Our children are afforded the greatest educational opportunities ever known in history. During the past half century we have properly provided outstanding physical facilities in our public and private educational systems. We have made it possible for the greater number of our young people to secure an education in sanitary, well-ventilated, light, soundly constructed school buildings. In the primary grades particularly we have had a school health program that ensures a physically strong citizenship.

But what are we doing to develop the minds of these youngsters? This is after all the objective of education. Are we going to teach them the lessons of history in its whole truth or are we going to select merely that part of history we think they should know? Are we going to teach them to think wisely, independently, or are we going to try to force our thoughts and our conclusions upon them? Have we the courage to advise them that adversity is not without its blessing and that it helps build character? Are we going to emphasize that that government is best which governs least?

Are we going to infuse in their minds standards of decency, fairness, honesty and responsibility? Are we going to contrast the freedom and opportunity of the American way of life with the slavery of the followers of Karl Marx? Is Adam Smith's textbook to be our assignment or are we going to suggest that there is any easy, simple way of life that avoids all hardship and guarantees us a paradise on earth?

It won't be the school buildings nor the health programs—essential though they are—that will build a strong America. The future of America will rest with what is taught in these buildings.

Henry H. Heimann

HENRY H. HEIMANN,
EXECUTIVE MANAGER

COMING EVENTS

1950

◆

October 11
Illinois State Conference

◆

October 12-14
All-South Conference
Shreveport

◆

October 19-21
Northeast Conference
New York

◆

October 20-21
Ohio Valley Regional Credit Conference
Louisville, Ky.

◆

October 26-27
Tri-State Conference
Waterloo, Iowa

◆

October 30
Wisconsin Conference
Madison

1951

◆

May 13-17
55th Annual Credit Congress
Boston, Mass.

Credit and FINANCIAL MANAGEMENT

SEPTEMBER, 1950

Official Publication of the National Association of Credit Men

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CONTENTS

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Seventeen Latin-American Countries Improve Their Credit Situation

by PHILIP J. GRAY

Manager, Foreign Credit Interchange Bureau, New York

THREE countries, Cuba, Haiti and Panama received identical ratings and shared top position in both credits and collections, in the 44th Semi-Annual Survey conducted by the Foreign Credit Interchange Bureau, on commercial credit and collection conditions in Latin-American markets during the first-half of 1950. Dominican Republic, which had shared first honors in the last two surveys, missed out this time by only three points.

Argentina, Chile, Costa Rica, and Paraguay were again rated in the lowest credit classification of "poor" where they were joined, in this survey, by Bolivia which had previously been listed as "fairly good". In collection ratings, Argentina, Brazil, Chile and Costa Rica were relegated to the lowest classification of "very slow".

CREDITWISE, seventeen countries improved their position in this survey, while six registered declines, and one market, Ecuador, showed "no change" in rating. Most outstanding performance was registered by Uruguay which gained fifty-nine points in this survey and moved from the "fair" to the "good" credit classification. Honduras and El Salvador were rated up from "fair" to "fairly good" while Brazil finally emerged from "poor" classification to be rated "fair" this time. Bolivia, with a loss of forty-four points fell from "fairly good" to "poor." Included with the leaders in the "good" credit classification were Dominican Republic, Netherlands, French and British Possessions, Mexico, Puerto Rico, Uruguay, Nicaragua, Venezuela, Guatemala and Ecuador.

In collections, nine countries showed improvement in credit ratings, eleven showed declines, and four recorded "no change". Here again, Uruguay also led in improvement, gaining twenty-nine points to move from the "fairly prompt" to "prompt" collection classification. Greatest decline was registered by Bolivia which lost forty-one collection points and dropped from "prompt" to "very slow".

In the survey of credit terms granted in the first-half of 1950 as compared with those of 1949, changes again paralleled collection experiences and involved all the countries rated as "slow" and "very slow". Special attention is directed to the "no change" percentages of 96% for Argentina and Brazil, and 93% for Costa Rica. These figures merely indicate that, in the percentages specified, "no changes" have been made in terms since 1949 when payment delays became evident and corrective measures were adopted.

To illustrate—in previous surveys, 90% of the members reporting indicated they had changed to "less liberal" terms for Argentina, while 53% made a similar report on their Brazilian business, with many members indicating that they were definitely "out of those markets" until the exchange situation improved. In the current survey, "less liberal" terms to Bolivia were reported by 16% of the members, and similar reductions of terms were recorded by 15% on business to Chile, 13% in Colombia and 9% in Paraguay and Peru. More liberal terms were granted by 6% of the members on Colombian, Nicaraguan and Venezuelan business, and by 5% on their business with Honduras, Peru and Uruguay. Largest percentages in the "no change" classification were, of course, registered by the top rated countries, Panama, Cuba and Haiti reporting 97% "no change" in terms.

THE following comments taken from Members' letters accompanying their survey reports should prove both interesting and enlightening:

Argentina

You will notice that we have reported very slow payments out of the Argentine, but this is indicative only of our experience on old outstanding collections. As you will recall, the matter of extending credit to Argentine buyers was discussed at some length at your June meeting. The feeling was expressed by almost all present that sales would be made on a letter of credit basis only, notwithstanding the recent Export-Import Bank credit of $125,000,000.00 to a group of Argentine banks. Our funds have been tied up for such a long period that we cannot look with favor on future sales on draft terms. Insofar as we are concerned, a great deal will depend on how quickly the backlog of commercial debt is cleaned up. We feel quite sure that the Ar-

gentine must be feeling the effects of a shortage of imports of essentials, and we have in mind particularly the shortage of raw materials and drugs for the manufacture of medicinals and pharmaceutical products. We of course do not wish to be too far out of line with others in the trade, and we hope you will keep us informed should you see any substantial resumption of sales on a draft basis.

Bolivia

It is rather difficult for us to comment intelligently on collection experience in Bolivia. In the first place, our volume of business is not large, and in the second place, while some payments are received promptly, others are delayed for long periods. As a matter of interest to others who may be contemplating sales on a dollar draft basis, we are pleased to quote the contents of a recent letter received by our collecting bank in New York from one of its correspondents: "Referring to yours of the 7th instant, the items mentioned in the caption are still pending payment. The commercial interchange of our country, which is facing a difficult situation as regards the sale of its raw materials, renders its exchange revenues very slow. Therefore, we will effect the reimbursement of collections in accordance with our availabilities, as the word of the State is pledged by having granted the corresponding import permit."

Brazil

Brazil has been one of our large markets for many years and while we have never taken any losses on sales, payments at times have been delayed for long periods. In the past, our merchandise has been in Class 1, and, in common with other exporters, bills are paid between four and five months after shipping date. We of course understand that Brazil's dollar exchange availabilities depend to a great extent on the price of coffee, but, in general, we cannot quite understand why they and other Latin American countries cannot operate a closer control between volume of imports and the amount of dollar exchange available. In other words, we cannot see why they should be unable to adjust their position to avoid the building up of a backlog of commercial debt. Each country in Latin America should be able to estimate

Comparison of Credit and Collection Index Figures

(Based on Surveys on Credit and Collection Conditions in Latin America)

	Credit Conditions			Collections		
	July 1950	Jan. 1950	July 1949	July 1950	Jan. 1950	July 1949
Argentina	180	179	177	14	12	10
Bolivia	183	227	239	37	78	83
Brazil	200	181	176	36	19	18
British Possessions	285	283	286	85	87	90
Chile	189	198	216	35	49	56
Colombia	206	223	182	42	45	36
Costa Rica	185	180	180	31	30	30
Cuba	290	289	291	90	90	92
Dominican Republic	287	289	291	88	90	92
Ecuador	260	260	250	77	79	80
French Possessions	285	282	278	85	85	87
Guatemala	260	256	248	78	80	79
Haiti	290	289	291	90	90	92
Honduras	228	221	215	62	58	55
Mexico	278	274	254	80	83	82
Netherlands Possessions	285	275	252	85	83	80
Nicaragua	269	264	285	79	81	92
Panama	290	289	291	90	90	92
Paraguay	186	197	218	48	49	71
Peru	208	223	190	41	47	46
Puerto Rico	276	270	280	83	80	85
El Salvador	228	217	214	67	60	55
Uruguay	273	214	212	82	53	44
Venezuela	262	258	251	78	76	80

Credit— GOOD: 250 and up. Lowest percentage 50% good, 50% fair.
FAIRLY GOOD: 225 to 250. Lowest percentage 25% good. 75% fair
FAIR: 200 to 225. Lowest percentage 100% fair.
POOR: 175 to 200. Lowest percentage 75% fair, 25% poor.
VERY POOR: Below 175.

Collections— PROMPT: Over 70% prompt or fairly prompt collections.
FAIRLY PROMPT: 50% to 70% prompt or fairly prompt collections.
SLOW: 40% to 50% prompt or fairly prompt collections.
VERY SLOW: Less than 40% prompt or fairly prompt collections.

in advance the amount of dollars it will create during any one particular quarter, and it seems to be a relatively simple matter to issue import permits in accordance with the amount available. If this were done, imports could be liquidated without undue delay, although I realize that the volume of exports might be somewhat curtailed.

Chile

You will note from the survey returned to you that we have not reported on credit and collection conditions in Chile. We have been following the credit and exchange situation rather closely in that country and for the past year or more our sales have been on a letter of credit basis. We notice in the last report of the Federal Reserve Bank that most bills are paid over ninety days slow, and until such time as payment experience improves, we will not be inclined to liberalize selling terms.

Colombia

Our collection report to you on Colombia shows prompt remittance, although some time ago payments were delayed and payments on new bills are beginning to lag. We have been informed that payments out of Colombia were temporarily suspended and it looks as though we may shortly run into delayed payments on current shipments. We are inclined to watch the situation carefully, as it is evident that import permits have been issued far in excess of the amount of dollar exchange available to Colombia. We also notice that collections outstanding in fifteen large banks have risen from a low of about $5,000,000 in Nevember, 1949, to about $10,600,000 at the end of last May. It is our belief that Colombia is somewhat short of dollars at this time and the shortage will undoubtedly be reflected in slower payments on outstanding bills.

Costa Rica

We have not reported on Costa Rican credit and collection conditions as we have not shipped on a draft basis for the past six or eight months. We have some old bills outstanding on which payment has been delayed for a long time and we are now in the process of validating them in accordance with Costa Rican requirements. The exchange situation in Costa Rica is rather puzzling, as we have seen estimates of backlog of commercial debt running from about $10,000,000. to $20,000,000. We understand that the revalidation process will shake out a great many ex-

Current Survey of Collections—July 1950

(In percentages of replies received)

	Prompt	Fairly Prompt	Slow	Very Slow
Argentina	4%	10%	13%	73%
Bolivia	31	6	14	49
Brazil	29	7	18	46
British Possessions	82	3	9	6
Chile	31	4	27	38
Colombia	33	9	31	27
Costa Rica	24	7	33	36
Cuba	83	7	5	5
Dominican Republic	81	7	7	5
Ecuador	68	9	13	10
French Possessions	80	5	9	6
Guatemala	69	9	16	6
Haiti	84	6	6	4
Honduras	56	6	23	15
Mexico	72	8	14	6
Netherlands Possessions	78	7	8	7
Nicaragua	71	8	12	9
Panama	85	5	7	3
Paraguay	44	4	29	23
Peru	37	4	18	41
Puerto Rico	79	4	10	7
El Salvador	59	8	19	14
Uruguay	76	6	11	7
Venezuela	73	5	14	8

porters who have been paid in advance, and before considering a further extension of credit, we would like to see the final figures. It is, of course, quite possible that the outstanding commercial debt may be brought down to a point where Costa Rica could liquidate outstanding bills without undue strain, and if that situation does develop, we may again consider shipments on a sight draft basis.

Nicaragua

With regard to shipments to Nicaragua, it occurs to us to say that this is one of our bright spots in the Latin American area. We conduct a fairly substantial volume of business with buyers in the country, probably due to the fact that we have a very good representative there, and all bills are paid promptly. In fact, this favorable experience goes back for several years and it is evident that the Nicaraguan exchange authorities have a good control. We wish that our payment experience in all Latin American countries was as satisfactory as that in Nicaragua.

Peru

Notwithstanding that we have some old bills outstanding, payment for which is being held up because of the 6.50 rate involved, we have been making sight draft shipments to new customers and payments have been coming through promptly. We have not heard of the amount of backlog of commercial debt in Peru as a result of the decree published November 11, 1949, whereby the official parity of 6.50 soles to the U. S. dollars was suspended and replaced by the fluctuating rate of a system of exchange certificates. It seems to us that if the amount involved is not too large the country should make every effort to have the backlog liquidated without loss to drawers. Naturally, there is a great deal of dissatisfaction and criticism in the market here because of Peru's unwillingness to liquidate at the rate originally agreed on by the control authorities, and we and others with whom we have discussed the matter, consider this a blot on Peru's otherwise clear record.

Venezuela

Venezuela probably has more dollar exchange available than any other country in Latin America and yet we find that a number of our outstanding collections are not paid promptly. In some cases, payments are delayed for up to five or six months. An analysis of our outstanding bills, however, clearly indicates that the delays are not occasioned by inability on the part of drawees to obtain dollars, but rather to an unwillingness on the part of drawees to pay our time drafts at maturity date. These delays give us some cause for concern, as in total we have a rather substantial amount of money tied up, past-due in the country. We will be particularly interested in having you give us the comments of other shippers, as we cannot conceive that we are alone in this picture. We endeavor to select our credit risks carefully and we are at a loss to know why collecting banks in Venezuela advise us time after time that "drawee postpones payment."

THE 304 American manufacturers and exporters contributing to this survey are located in all parts of the United States. They represent a veritable cross-section of American products, the majority of them reporting on all the markets included in this survey. In compiling this survey, no consideration is given to the

(Continued on Page 27)

Survey of Terms Granted During First Half of 1950

As Compared With 1949 Terms

(In percentages of replies received)

	No Change	More Liberal	Less Liberal
Argentina	96%	1%	3%
Bolivia	82	2	16
Brazil	96	1	3
British Possessions	94	3	3
Chile	82	3	15
Colombia	81	6	13
Costa Rica	93	3	4
Cuba	97	2	1
Dominican Republic	95	2	3
Ecuador	94	4	2
French Possessions	95	2	3
Guatemala	94	4	2
Haiti	97	2	1
Honduras	90	5	5
Mexico	90	3	7
Netherlands Possessions	94	3	3
Nicaragua	92	6	2
Panama	97	1	2
Paraguay	87	4	9
Peru	86	5	9
Puerto Rico	92	3	5
El Salvador	89	4	7
Uruguay	91	5	4
Venezuela	90	6	4

20 TIMES 20 QUESTIONS

(The Subject is Human)

by HELEN M. SOMMERS

Credit Manager, Trojan Hoisery Mills, Indianapolis

"THE human element," or "the human factor" is a phrase that frequently rolls off the tongues of businessmen when they are discussing business—be it business in general, a particular transaction, or our favorite subject, credit. And, like many other phrases in common usage, it is apt to be the vehicle that carries us into a morass of muddy ideas.

It seems to imply that human beings are only a part of business; that business has some larger existence over and above the human beings that engage in it. The person using the phrase seems to ignore the obvious fact that the term *business* used in any general sense can refer to nothing more than the aggregate of an enormous number of individual acts of human beings in certain fields of endeavor; and that apart from these acts business can have no existence. In this sense human beings are not an element or factor in business—they *are* business.

IN THE June chapter of this series we developed the crucial question of credit analysis, which involved predicting whether Jones, our customer, would have the funds with which to pay his debts at a given future date. Such prediction, it was concluded, would have to be based upon the probable continuation or reversal of those trends in Jones' business which affect his liquidity. It was recognized that such trends had been produced by Jones himself as he encountered past problems; and that whether such trends would be continued or reversed likewise would rest with Jones as he is confronted with probable future problems.

It then becomes important for us to predict Jones himself—not by asking ourselves "*is* he honest?" "*is* he smart, shrewd, wise?" "what *is* his character?" (all having to do with something going on inside his skin, not directly observable, and by no means invariable, or inflexible), but rather we will ask "what has he been doing?" "how has he solved past problems?" "what were those problems?" "what tests of debt-discharging responsibility has he met or failed to meet?" "what tests is he likely to meet in the immediate and long-range future?" "from what we know of his past performance in meeting tests, and the trend of that performance, is he likely to meet the future tests we predict?" Such will be the content of this and the next chapter.

WE HAVE assembled our credit information both by asking many questions and by deputizing others to ask them for us (July and August chapters). We will now bombard ourselves with a series of interpretive questions to be answered by a study of the credit information we have gathered or which, in certain instances, we may find it necessary to amplify.

But before we get to the business of analyzing and predicting Jones, we first need to determine what particular Jones or what partnership or corporation made up of more than one Jones is to be held responsible for payment. At first thought this appears to be a fairly innocent problem, but it is one that frequently turns out to involve more than is at first indicated by the order itself or the credit material at hand. It is one to which all too frequently we give only casual attention, sometimes to our later sorrow.

THE first set of questions following will help you to peg the responsibility. Sensible horse-before-cart procedure dictates that some of them be answered by a study of the order itself before any credit information whatever is ordered or otherwise assembled. Other questions cannot be answered until after the credit reports are at hand. It takes a study of both credit information and order before we can put a sure finger squarely on the person or legal entity liable for payment and safely assume that we are analyzing the credit of the right Jones.

The questions will with few exceptions be worded as if they contemplated problems arising only in connection with the establishing of a new account, but, as further orders come before the credit department for approval, many of the same questions should be kept in mind with full awareness of the possibility of change after an account has been established.

The ones in heavy type are lead questions. No attempt should be made to answer them until after the detailed questions which follow them have been answered. But since

This is the sixth article in a series on scientific credit analysis. This aspect of the discussion will be continued in next month's issue.

they are not only general, but topical in character, they have been placed at the head of each set of questions in order to signify the purpose of the detailed questions.

What person or legal entity is to be held responsible for payment?

IS THE order signed? If the name signed appears to be the trade-style of a business unit or the name of a corporation, is it validated by the signature of an individual, showing his business title or identity? Or if only the individual's signature appears, does he show his title or identity? Does that title carry legal or commonly delegated authority to contract debts for a business unit? Who is he—owner? partner? officer? trustee? receiver? executor? administrator? agent? manager? controller? buyer?

If A submitted the purchase-order, specifying that goods be shipped to B, and (by inference or explicit instructions) charged to A; or if B submitted the order, directing that goods be shipped to B but charged to A; or if your salesman wrote the order specifying that goods be shipped to B but charged to A, *is A's name signed to the order,* and validated as indicated above?

In that case, if A is a corporation, does it have a legal right to assume such responsibility for payment? (Is B a direct branch, subsidiary, or customer of A; or does evidence, on the contrary, point to the possibility that A is lending its credit to B outside the normal course of transacting its business? See *Credit Manual of Commercial Laws,* 1950, Guaranties.)

If the purchase-order is signed by A, but stipulates that goods be shipped and charged to B, does A have a valid right to contract debts for B? (Is A an authorized buying agent, or parent company acting as buyer?)

If the order is not signed does it indicate that goods are to be shipped and charged to the same name? Was it submitted on a purchase-order form showing the name of the purchaser? Was it from an established customer who has never failed to accept his shipments?

The business unit responsible for this debt is the one that will receive the shipment, unless such responsibility is acknowledged by another qualified unit or individual, by signed purchase order as developed above (or by valid legal instrument in the form of guaranty). At this point it is necessary to decide from the answers to the questions above what business *unit* is to be held responsible, and then to proceed with the following questions in order to determine the exact ownership of that unit and the owner's legal competence to contract debts.

Who or what legal entity holds title to the assets of this business?

DOES the name of the responsible unit as shown on the order (or guaranty) appear to be a trade-style? If so does it also show clearly the name of the individual, partnership (corporation*), or other business entity operating under such trade style? Or did a letter accompanying the order acknowledge or imply ownership? Or was a financial statement submitted with the order, signed by the owner(s)?

Does the credit information which you have assembled indicate the identity of the individual, partnership, etc., which has been operating under such trade-style at the given address? As of what latest date? Has the trade style been registered in such owner's name? When? If not registered, has a responsible credit agency obtained a statement, signed by the owners as such, acknowledging ownership of the assets of the business conducted under the trade-style in question? Or a financial statement showing the trade-style and signed by the owner, or the partners, or the corporation by one of its officers? As of what date?

Or has the agency had owner's verbal acknowledgment of ownership which it has verified by reasonable proof: bank account, licenses, leases, local authorities? At what date was ownership so acknowledged?

IF OWNERSHIP of the trade-style as of date of credit information has been established as indicated above, and if ownership is clearly shown on the order, do the names agree? If they do not, changes obviously have taken place since the date of the credit information, data have been assembled on the wrong responsibility, and new information must be gathered.

If the names do not agree and the name signed to the order does not clearly show that it is the owner's name, investigation should continue through credit agency and bank and by direct contact with the customer in order to establish identity of the owner at date of order. Agency: has there been a change in ownership since the date shown by credit information? Bank: in whose name is the bank account currently carried? Customer: Is the signature on the order that of an employee? Who is the owner?

Note that when an account is accepted and a trade-style is involved it is good practice to bill the shipment to the owner(s) with the name of the trade-style following; to carry the ledger account the same way; and to show both names (owner's followed by trade-style) on the shipping label and bills of lading, if the unit receiving the goods is responsible for payment, as is usually the case.

Is the responsible owner or entity competent (legally) to contract debts and be held responsible for them?

WHETHER operating under a trade-style or not, has the responsible unit been functioning as an individual proprietorship? A partnership? Corporation? Estate of a deceased owner? Bankrupt estate? Voluntary trust? Joint venture? Do letter-heads or order forms indicate that there may have been changes in legal composition since the date of latest credit information?

If an individual proprietorship, has the owner reached the age of majority? Is the owner a married woman? If so has she qualified

* A corporation's power to guarantee debts of other units is restricted by law. See *Credit Manual of Commercial Laws.*

THIS WAS A CANNERY!

$40,000's worth of damage was done in this fire, and the smoking ruins you see are all that was left of a factory, doing business, giving employment, paying taxes. October 8-14 has been designated "Fire Prevention Week" but the slogan of credit executives should be

Make Every Week FIRE PREVENTION WEEK

Acme

under the laws of her State whatever its requirements may be, to transact business and contract in her own name?

If the responsible unit operates as a partnership, have all the partners reached the age of majority? Are the partners husband and wife? If so are partnerships between husband and wife legal in the State in which this business operates? Has one of the general partners died recently? If so, did his will or a partnership agreement provide for continuation of the business?

As of latest credit information, were some of the partners limited partners? When will their participation expire? Was your order signed by a limited partner? (Not usually binding upon the partnership.)

If the responsible unit is reported as a corporation, has it been organized recently? If so, has it received its charter? If it is a subsidiary of another corporation, has the parent corporation by action of its Board of Directors issued a continuing guaranty assuming responsibility for the payment of the debts of this subsidiary? If not, are you drawing a careful distinction between credit information (including financial statements and paying records) on the parent and that obtained on the subsidiary?

If the responsible unit is reported as an estate of a deceased individual owner, was there a will? Has it been probated? And letters testamentary issued to the executor? Do the terms of the will provide for continuation of the business? If there was no will, has an administrator been appointed by the court? Has the court authorized the administrator or executor to continue the business until the estate is settled? How long has the estate been in probate? Is there a possibility that it may have been settled since the date of credit information and that new owners are now in possession?

If the order is from a business in bankruptcy or reorganization under the National Bankruptcy Act, has the court appointed a receiver? Has the receiver filed bond prescribed by the court? Has the court authorized him to operate the bankrupt's business? Is your order signed by the receiver? Or has the court authorized the debtor to continue in possession and to operate the business? Is your order in that case signed by the debtor? Or has the court appointed a trustee to operate the business in reorganization and did the trustee sign the order?

If the unit responsible for payment operates as a voluntary trust does the trust agreement limit the responsibility of the trust members to their investment or share of the assets? If so, are you excluding from your credit appraisal any consideration of the personal holdings of the trust members?

If the unit has been operating as a joint venture for what purpose was it formed? If your order was signed by only one of the adventurers, does it represent a transaction in the normal course of completing the venture? (If not it is not binding on the other adventurer.)

THE next assignment, a tough one, is to separate the sheep from the occasional wolf in sheep's clothing. We know from sad experience that a certain few of our Jones boys do set out deliberately to defraud their creditors. They order goods with no intent of paying for them.

To ask the poor credit man to outdo Scotland Yard or the FBI and spot them unerringly is expecting too much. With the credit man's first-hand experience in skulduggery limited chiefly to the receiving-end of such bad bargains, he is far less agile in apprehending them than is the average crook in inventing them

Fortunately, however, birds that fly by night are rare, percentage-wise, and so the law of averages is with us. But to lean too trustingly on the law of averages is to take an occasional tumble—maybe a serious one, and quite possibly one that could have been avoided by close scrutiny of the order and the credit material with questions like these in mind:

Are there evidences of current plans to defraud creditors?

Of plans to skip? Is shipment to be made to a confirmed address? Is

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Consider the little man who is there — every single day —

The Tax Creditor

by CHARLES A. PEARSON, CPA

Lybrand, Ross Bros. & Montgomery, Los Angeles

HAS a customer ever referred you to the Treasury Department of the United States for a credit rating? In fun and frolic, perhaps, but not seriously. Yet there it stands, the biggest credit and collection agency in the world—in business with you, your customers and your customers' customers, year after year into eternity! The credit end of the business is conducted on the honor system. Guess at what you owe and pay what you guess. Years later comes the bad news that the guess was wrong. Then the monster collection department begins to function—a courteous request for payment in one hand and, in the other, a lien against all you own or may ever acquire. Hordes of local taxing authorities operate under the same system.

The operation of these tax systems is fascinating to behold and difficult to orient in the field of commercial credits. In the first place, the universal existence of the tax collector tends to obscure his position as an individual creditor of a particular customer. He is so constantly in the credit picture that we easily fall into the habit of accepting him as a part of the financial scenery. I venture to guess that it would at first startle the credit man if the Collector of Internal Revenue began appearing as a preferred creditor on every routine credit report that crossed his desk, yet the tax collector stands in the position of a preferred creditor with respect to virtually every one of your customers.

The obscurity which the tax creditor may gain by reason of his universal stature can be further advanced by another pyschological miscarriage. Death and taxes—the old bromidic duo of inevitability (death having become identified as the member of the team which doesn't get worse with each session of Congress) may dim the spotlight of attention to an analgesic glow.

OUR perspective of the tax creditor may become infected with the contagion of fatalism. If we have already lost sight of the little man in a shadow of immensity, the contagion spreads to the magnitude of a common disaster, and fire, flood, famine, and taxes get filed in the same place, the alphabet notwithstanding. That system of filing may not be so wrong, and the universality of the tax claim as a credit risk is conceded. But, until the risk can be covered by a policy of insurance, the credit man is charged with the responsibility for alertness and cannot afford to dope himself with philosophic resignation.

It is not suggested that credit men become tax alarmists. But tax liabilities should not be passed over lightly as mere balance sheet arithmetic. They represent a picture of the tax creditor as he appeared at the balance sheet date, and if the credit man will examine the picture with enough care, he may sometimes thrill to the shock of catching his sovereign co-creditor leering at him.

But how authentic is the balance sheet picture? Customers are always paying additional taxes. How far can the credit man rely upon the provision for taxes as shown in financial statements? Frankly, the picture is a snapshot of a moving subject, and a certain amount of fuzziness in the reproduction is unavoidable. It therefore merits closer attention than would a still-life portrait.

A BASIC distinction exists between trade payables and tax liabilities. In an examination of the balance sheet, the auditor can eliminate all doubt concerning the amount, terms, and collateral security of the bank loans through correspondence with the lender. He can tie down the amounts owing to trade creditors by an examination of invoices and statements submitted by the vendors. But he cannot, as a comparable procedure, slip a quarter into an envelope and send it to Washington 25, D. C., with a request for a report on how the client stands with the Treasury Department. The thought is ridiculous because the major tax liabilities incurred by a business are self-assessed, and the policing of returns follows months and years later, and just no one can say with exactness how much the tax until official review. Yet the auditor is charged with the responsibility of assuring himself that tax liabilities are fairly stated on the balance sheet.

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This is the text of an address delivered during the 54th annual Credit Congress before the Automotive Industries Group.

Of course, he has an abundance of testing materials at hand. Volumes of text are devoted to the complexities of federal, state, and local tax laws. He can readily apply objective standards to the tax returns as prepared by the client. But, somehow, the average business always produces some situations which lie in the field of doubt between a certain "Yes" and a definite "No." Is a repair an improvement? Will the additional bad debt allowance prove excessive? Is the officer-stockholder taking too much salary? Does a deal in another state constitute doing business there? Is this or that transaction subject to sales tax? How many states want a payroll tax? How can you justify a four-year life for the auto fleet?

The auditor sits as a self-assumed representative of the credit man, between a taxpaying client who is required by law to pay no greater tax than is legally due, and an army of tax administrators sworn to the task of protecting the revenue.

Tax liabilities do not outlaw for a minimum of from three to four years after they accrue, and revenue agents are usually racing neck and neck with the statute of limitations. Consequently, the doubts and uncertainties attendant upon tax determinations in a single year may carry forward through several financial statements. A contingency which was relatively unimportant a year ago may assume major significance in the current financial picture.

SOMEWHERE in this jungle of imponderables, the auditor must mark with an "X" a spot from which to measure the margin of error in terms of materiality in relation to the over-all financial position. On the basis of this survey, he forms an opinion whether the provision for taxes, as calculated by the client, is a reasonable estimate of this liability.

Differences between this estimate and the liability as finally determined may and do develop, but a sound business absorbs them without shock or strain upon its resources. A shock which would otherwise be severe is cushioned to some extent by the lengthy administrative process which permits the taxpayer to get set for the blow while he protests and pleads it shouldn't happen. However, the reader of a balance sheet is entitled to know that tax liabilities, and especially the heavyweight of the group—the provision for income tax—are by nature tentative amounts which are subject to change upon administrative review.

IN THE case of the unincorporated business, proprietorship or partnership, the balance sheet may show only a narrow strip of the complete tax picture. The business incurs liabilities for various sales, excise and payroll taxes, but it does not pay, as a business, a federal income tax. Partners and proprietors are liable for the tax only in an individual capacity.

The problem of giving adequate recognition to that paradox in a financial statement is a plague upon the professional accountant. The auditor's engagement is customarily limited to an examination of only the business assets and liabilities, and the amount of capital which may be withdrawn by the owners to meet their individual tax obligations is frequently indeterminate within the scope of the audit.

The so-called "pay-as-you-go" system of taxing individuals has not necessarily alleviated the situation. Partnerships frequently have fiscal years which do not coincide with the taxable years of individual partners, and even in the case of proprietorships the technical requirements of the pay-as-you-go system may have been fully complied with and still leave a substantial amount of tax due and payable after the balance sheet date.

VARIOUS alternatives are employed by accountants in an effort to attract the reader's attention to the omission of the tax liability from the balance sheet. If a substantial withdrawal of capital has been made for the payment of taxes between the date of the balance sheet and the auditor's visit, provision for the withdrawal is sometimes shown as a direct charge against capital. Sometimes, information as to the amount of tax which the business would have paid as a corporation is stated in a footnote for what it may be worth. Always, the absence of a provision for income tax should be covered in a note to the financial statements, as a warning that a balance sheet so annotated may not be acceptable for credit purposes without supplemental information from the owners about their individual tax liabilities.

RECOGNIZING the limitations upon the exactness of tax determinations, but accepting balance sheet amounts as reasonable estimates of the liabilities, is there any reason for the credit man to distinguish them from other current liabilities? Are they, or can they exert, any greater strain on the financial structure than trade payables? Let us look at the accounting procedure by which tax liabilities reach the balance sheet.

One group, including sales and excise taxes, represents additions to selling prices and is customarily converted into cash or receivables on the asset side of the ledger concurrently with its entry as a liability. Another of the liabilities to the tax creditor represents amounts which have been withheld from employees for income and social security taxes, and which should be fully covered by a cash reserve. Sales, excise and withheld taxes are due monthly or quarterly, and you may reasonably consider the liability for this group of taxes to be a direct and immediate charge against cash. Yet many balance sheets have been released showing liabilities for such reimbursable taxes *in excess of available cash.* Sometimes, this balance sheet state of affairs may indicate financial genius at work with a stop watch. Or it may be a child of necessity suffering from malnutrition of the bank balance. It is at least a sign for the credit man—he can stop and read its legend—if he sees it.

IN CONTRAST to the group of tax liabilities which weighs in on both sides of the balance sheet, the larger group, including the provision for income taxes, originates as a charge against income for a period which has ended at a prior to the balance sheet date. You are familiar with the classical format of the income statement, showing income before taxes, income after taxes, income distributed to owners, and the balance as income retained in the business. This latter amount is scattered over the balance sheet as an increase in current or fixed assets,

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Here's some straight talk

From a banker to the credit man

by IRVING MANNING
Vice-President, Anglo California National Bank, San Francisco

THE life blood of the American economic system is sound credit. Sound credit is dependent upon the wide-spread adoption by companies throughout our land of sound time-tested credit policies. We bankers are vitally concerned with the maintenance of a stable economy in this country and for that reason, as well as many others, we are vitally interested in you credit managers who are the men responsible, day by day, for making the majority of decisions with regard to credit extensions.

Banks exist not only to receive deposits of money and to lend money, but also to supply business services related to the use of money and credit. We are anxious to do everything within the scope of our business function and facilities to assure that our customers are being served efficiently, effectively, and in a friendly manner. We are constantly striving to establish with all of our customers relations that are warm, human, and based on mutual understanding. To attain these relationships we concern ourselves constantly with what is called in these 1950's by the name of "public relations."

PUBLIC relations is an art and science that deals with the perplexing and often difficult problem of how an individual or institution can get along with people. For each individual or institution, public relations is the continuing problem of analyzing public attitudes toward it and taking steps to either capitalize upon favorable public opinion or change unfavorable public opinion. If it is discovered that unpopular conditions exist within an institution, public relations involves the task of correcting such conditions, and, if the public is aware of such "evil" conditions, publicizing the fact that they have been corrected. One publicist has summed up public relations as "doing a damn good job, and being damn certain that everyone knows it."

Every company has many publics, and the techniques of winning the goodwill of each are as varied as the number of them. Different techniques, for example, are required to win the goodwill of stockholders than are required to win the support of employees; the favor of a city government is won in a different manner than the purchases of a group of housewives.

But public relations is a "two-way street" and I and my associates, particularly in our credit department, are one of your publics. Just as we in the banks are interested in maintaining good relations with you in the credit field, I know that you are concerned with how to build good relations with us in the banking field.

In a way I feel that I am carrying coal to Newcastle when I advance suggestions to members of a credit group with regard to improving bank relations, for we in banking circles have great respect for your association and the manner in which you, its members, put into practice as individuals the high professional standards that you have adopted as an association.

I certainly do not feel called upon to go into detail with regard to credit ethics although I will make a few references in passing to the Code of Credit Department Ethics adopted by the Robert Morris Associates, a national association of bank credit men, which guides us in our bank credit work.

Nor do I feel that it would be appropriate for me to go into detail with regard to things that a bank can do for you, for you are perhaps far more aware of these things than I am. The constant interchange of information between us, the fact that we in the banks are often in a position to get more and better information for you from our correspondent banks than you can procure through direct contact, and our other services, are, I know, very important phases of your credit activities and clearly understood by you.

I do have a few observations, however, that may be helpful to you.

The first is: "Know your banker personally."

IN ALL fields of human relationships one of the most important devices in building goodwill is personal contact between people doing business together. Perhaps because the great bulk of your business in the commercial credit field is done with people whom you never see, some of you occasionally forget that

This is a talk delivered before the Chemical and Dye Industry Group at the 54th annual Credit Congress in Los Angeles.

banks and bank credit men are anxious to know personally the people with whom they are dealing. One of the most effective things you can do to develop closer relationship with your bank credit department is to drop in and meet the credit department members. Get to know them personally. Let them hear and know your voice on the phone. Get to know their idiosyncrasies and their "personal" interpretations of bank credit policies.

One of the important things that can result from personal acquaintance with your bank's credit men is to learn just what they mean in their replies to your credit inquiries. The paragraphs of bank credit letters are all pregnant with meaning, and should be studied carefully.

Generally a bank reply to a credit inquiry will contain a statement of bank balances and loan relationships, and an opinion with regard to the person or firm's credit standing. It is important that you pay very close attention to the implications of wording in bank letters. For example, "We believe that any transaction you may have with the subject should be on a well defined basis." "We believe that in discounting the subject's (Note, T/A) you should consider the responsibility of the endorser (guarantor)." If we don't indicate that a particular concern is at least "responsible for normal trade obligations" it probably means that we think you should use particular caution in establishing credit relationships with that concern. Omissions of information in bank letters, as you know, may imply conditions that may be extremely vital to you. Bank credit men are always willing to take the time to sit down with you to discuss particular cases, or to outline to you your bank's policies with regard to answering credit inquiries. Drop by and see them. If you don't know what your bank's letters to you mean, and a few of you may not, ask.

ONE thing that I think I should mention is that bank credit service is not a service for which we are compensated, but a customer accommodation; therefore, it is important that in seeking credit information from a bank you use the credit services of the institution with which you do business. The reason banks release credit information is because the release of such information is considered a customer service. The reason we procure credit information for our customers is because we have the facilities to get such information and are happy to make them available to our good customers. In a very great sense our bank credit services are an intregal part of our program to build better relations with our customers.

Another important point in establishing good relations with your bank is to remember that your bank wants your cooperation in its credit work. We like to get prompt replies to the inquiries we address to you, and I cannot avoid noting that we are sometimes influenced in our opinions of credit men by such, perhaps picayunish, matters as the fact that answers to our inquiries come back in the form of a pencil notation on our letter, or on post cards. In other words, we expect the same service from you that we want you to expect from us.

WHEN you write a bank for information it is desirable that wherever possible you avoid the use of form inquiries that do not indicate to your bank the purpose of the credit inquiry. Incidentally, the form developed by your Association is quite good, but find out from your bank if it is adequate to their needs. It is good practice also, when form letters are used, to have them bear the manual signature of the inquirer to establish responsibility. State specifically what information you want, what you want the information for, and be sure that you "lay all your cards on the table."

Let us know why you want information and I think you will find that you will get more information out of us. It is a basic rule of bank credit department ethics that every bank letter of inquiry should indicate in some definite and conspicious manner the object and scope of the inquiry. Because this is bank policy, we tend to favor inquiries that adhere to it. I might state here that we do not consider it ethical when more than one inquiry on the same subject is sent simultaneously to banks in the same city not to set that fact plainly forth in the inquiry.

THIS brings me to the most important point in good relations between bank credit men and commercial credit men: the matter of developing mutual confidence. We, in the banks, want to enjoy your confidence. We want you to know that any information you give us will be used for the benefit of all concerned: that it will not be indiscriminately disseminated, and that if you attach conditions to its use those conditions will be respected. By the same token we want to know that we may repose confidence in you. You all know that the "first and cardinal principle in credit investigations is the sacredness of replies," and that "any betrayal of the confidence implied when credit information is given brands the offender unworthy of consideration of confidence." These are two of the most important points in the code of bank credit department ethics which have been adopted by the Robert Morris Associates and to which all banks subscribe, and yet we sometimes encounter company credit men who have never heard of them.

During the recent war a then customer of ours, a fairly prominent man in San Francisco, had a son in the service, and the son, while on duty on the East Coast made application for credit with a large housing facility. Unfortunately the credit of this particular family was not particularly good, and we wrote a very carefully worded letter designed to indirectly indicate this fact without unjustly prejudicing the credit application. Like most credit letters it was not, to anyone familiar with the subtleties of credit language, in any way derogatory. However, the father of this boy had had occasion to use our bank's credit services. The credit

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Graduate School of Credit and Financial Management Holds Closing Exercises at Dartmouth College

GRADUATION exercises bringing to an end the fourth annual session of the Graduate School of Credit and Financial Management were held in the auditorium of Amos Tuck Hall, Dartmouth College, on Saturday, August 19. Diplomas signifying completion of all classroom and extension work and the acceptance by the school of a thesis were awarded to nine graduating students.

In all 106 men and women, representing companies located in twenty-six states and the District of Columbia, attended the 1950 session. Last minute cancellations due to the Korean incident reduced the number expected.

Dr. Carl D. Smith, Director of Education and Research for the National Association of Credit Men, was Executive Director of the school. His Assistant Director was O. E. Barnum, Carnegie-Illinois Steel Corporation, Pittsburgh, who graduated from the school himself in last year's class.

This was the school's first year in its new home. In 1947, 1948, and 1949 it had been held at the University of Wisconsin. Several factors, however, combined to make a change of location desirable and the first year's experience at Dartmouth seems to indicate that the move was a wise one.

For one thing, Hanover is a university town. Dartmouth *is* Hanover. It is the town's entire reason for existence. Catering to students in one way or another is its only trade. You have the feeling of scholarship wherever you go. The atmosphere of the town is an atmosphere of learning.

The physical facilities at the disposal of the school were excellent. The students and faculty resided in two dormitories, Butterfield Hall and Russell Sage Hall, and all classrooms, faculty, and staff offices and the auditorium for evening meetings were located in Tuck Hall. All these buildings were adjacent to each other. Meals were taken in the main dining room of the Hanover Inn.

ADDED to the convenience of the Dartmouth plant was the unusual courtesy and cooperation of the Amos Tuck School of Business Administration and of President Dickie of Dartmouth College. Dean Olsen of the Tuck School was careful to visit every classroom and attended all evening lectures. President Dickie gave a most inspiring address to the students on the Wednesday evening of the second week and the assistant to the Secretary of Dartmouth College visited the school office three or four times a day to find out of what assistance he and the college could be. In short the college was eminently thoughtful and helpful in making the faculty and students welcome and comfortable, a fact which contributed very largely to the high morale which prevailed throughout the two week session.

An innovation thought up by the staff was a daily mimeographed sheet entitled "The Beam" which was distributed each morning at breakfast time and which contained general notices to the students, racy tidbits about students, and such useful information as the change in airline schedules, etc.

Another factor which students were quick to appreciate was the high calibre of the faculty. Some of the faculty members were hold-overs from previous years and some were new. All, however, were rated first-class by the students without a dissenting voice. The faculty included Kenneth Dameron, Ohio State Professor of Business Organization; Louis O. Foster and John A. Griswold, Tuck School of Business Administration Professors of Accounting and Finance; Henry H. Heimann, Executive Manager and Treasurer, National Association of Credit Men; Thomas H. Nelson, President, Executive Training, Inc.; Raymond Rodgers, New York University Graduate School of Business Administration Professor of Banking; Arthur R. Upgren, Associate Editor, Minneapolis Star-Journal; Robert Greenleaf, Member of personnel staff, American Telephone and Telegraph Company.

THE curriculum and time table of the Graduate School together made attendance anything but a picnic. The day's work started at 8:15 in the morning and the evening conferences ended at 8:45 in the evening. Time, of course, was allowed in the afternoon for recreation or individual study, or for special conferences with faculty and other members. Nevertheless students found their time fully and intensively occupied. The morning program consisted of three sessions of one hour and ten minutes each. In the afternoon there were two more of one hour and ten minute periods. In addition second and third year students met with the faculty in consultation concerning their theses.

First year students concentrated on three broad subjects: Credit and Financial Management I, Marketing, and Management Policies and Functions.

The second year students concentrated on Credit and Financial Management II, Development of Executive Abilities, and the Economics of Money and Credit.

In the third year a new departure was instituted at this session which turned out to be a great success. Half of each day was spent in a Credit and Financial Management seminar conducted during the first week by Henry H. Heimann and in

the second week by Dr. Arthur R. Upgren, in which students discussed the managerial inter-relations of credit, sales, finance, and other operating departments; also the handling of adjustments, receiverships, etc. This group was divided into four committees, each of which plans to contribute an article summarizing their discussions in a forthcoming issue of Credit and Financial Management.

The composite student, were he to exist, was a man of 40.4 years of age. Oddly enough the average age of students in the first year was higher than that of the second or third. The first year average was 41¼ years; the second year 39.7; and the third year 38 years and 4 months. The oldest student was 59.

Of the 64 persons enrolled in the first year course, the average student was responsible for the direct supervision of twelve people in his company, 33 were college students and 11 held awards from the National Institute of Credit. The majority were attending the school at their company's instance, but it is significant that ten in the first year alone were attending during their vacation time.

Diplomas were awarded to: Harley T. Blake, Credit Manager, Fairbanks Morse & Co., Boston, Mass.; Charles F. Ensign, Asst. Treas., The Cleveland Twist Drill Company, Cleveland, Ohio; Margaret A. Esser, Auditor, Office Manager, Neidhoefer & Co., Milwaukee, Wisc.; Carl J. Harley, Credit Representative, Carnegie-Illinois Steel Corp., Chicago, Ill.; Robert G. Mills, Vice President, Clowe & Cowan Inc., Amarillo, Texas; Frank A. Rostedt, Asst. Secretary, Hyster Co., Portland, Oregon; James W. Sattazahn, Credit Manager, Scott Paper Co., Chester, Pa; George C. Schutze, Secretary, The Walter Tips Co., Austin, Texas; and Earl W. Warrick, Division Credit Manager, Gulf Refining Co., New Orleans, La.

In addition George C. Schutze was presented with the Paul Hoffman award founded by Mr. Hoffman, now head of the E.C.A., during the New York convention in 1947 and awarded to the student who shows the most marked improvement in his three years of attending school.

MORNING . . .

Dr. Arthur R. Upgren (at head of table) meets with the senior class for a session of the management seminar.

AFTERNOON . . .

Problems weren't left in the classroom. Here Thomas H. Nelson (left foreground) has an unscheduled discussion with some of the students.

EVENING . . .

Henry H. Heimann gave the first of the evening lectures. He is shown with some of the students in the auditorium of Tuck Hall.

THE PERFECT CREDIT MANAGER

— as the Sales Manager Sees Him

by CARL BURROWS
Sales Manager, The Coleman Company, Wichita

FOR a period of seven years I represented my company in a field sales assignment. At that time, I don't believe that I fully recognized that I could have cooperated to a far greater degree with our credit department. Believe me, I am beginning to do so now. There is no reason why I could not have served as the eyes and ears of our credit department. After all, I knew the dealers, I knew facts not shown on balance sheets or financial statements, I knew the dealer's reputation in his community, I knew something about his character but because I hated to write any more letters or reports than were necessary, I did not relay that sort of information to the credit manager. It does seem to me, however, that in modern business the credit department has every right to expect a constant flow of information of this type from the field sales force.

It seems to me that the credit department also has the right to expect sales management to train sales personnel in credit problems. The conventional training program pretty largely covers the waterfront *except* in the matter of finance. Men are taught product, they are taught policy, they work with other men as a means of gaining experience but all too few of them can differentiate as between a balance sheet and an operating statement.

THE credit department has a right to expect sales department cooperation on collection cases. While we don't have a great deal of that sort of thing, some of our men are excellent, others take little or no interest and seem to follow a philosophy that having granted credit, it is the credit manager's headache. I have the feeling, however, that the man in the field who really cooperates with the credit department gets a great deal more cooperation *from* the credit department.

I believe that the credit manager has a right to expect frequent consultations with the sales department on any accounts which constitute a problem. The credit manager has limited opportunities to see his firm's customers. Sales executives are in constant communication with every outlet and should be able to supply helpful information.

The credit department has a right to expect a complete outline of sales plans. Credit management should be consulted on sales programs before they are finalized particularly where they have to do with terms, cash discounts and extended dating.

In our own case, we have products on which sales at the consumer level are quite seasonal in nature. We find it advisable, therefore, to offer extended terms. On one of our lines we ship in the early part of the year with October 1st dating or with an anticipation discount of ½ of 1% per month to October 1st. Obviously, an overly ambitious sales department could get a credit department in all kinds of trouble with such terms unless the credit manager was consulted in advance and was permitted to set up some limits or form of control.

We ask our credit manager to analyze the financial status of each account to be offered extended terms, to set up lines of credit. The sales department must then abide by those limitations. In working with our credit department we have on occasion found it desirable to ask for an extension of credit lines and we find that when we present a case, when we have the facts and when there are extenuating circumstances our credit manager is, in most cases, able to go along with us.

IT seems to me that the credit manager should be given an opportunity to meet all visiting customers because I feel that personal acquaintanceship is immeasurably helpful in subsequent correspondence. We try to make it a point to invite our credit manager into conferences particularly with new outlets.

I believe that the credit manager has a right to expect complete and constant defense of his policy. Sometimes it is necessary for a credit manager to apply pressure to a customer and in too many cases I am afraid that sales people try to justify the action of the *customer* rather than those of the credit manager which must obviously be based on company policy.

I believe that in requesting special consideration for any given account the sales department is obligated to supply facts. Many times I have heard salesmen insist on open account shipments. About the only substantiating evidence they were in a position to supply was assurance

that "he is honest", "he may be a little slow but he always pays his bills", "if he does not pay promptly I will collect it myself". That last statement deserves special comment. I have found that memories are short and I am sure there are any number of other things for which the credit department should look to the sales department.

NOW, suppose we explore the subject I set out to discuss. I am afraid that I cannot qualify as having had extensive credit experience; however, I have had some credit experience on which I can now look back with amusement although it constituted quite a problem to me at the time.

My initial credit experience involved the sale of newspapers many years ago with collections made monthly. I always had trouble collecting my accounts and I recall one customer, a blacksmith, who gave me a particularly rough time. The next credit experience I recall was that of a bookkeeper in a hardware store immediately after I left high school. In those days, the bookkeeper sat on a "high stool" at a sloping desk behind a wire screen. He "posted the ledger" and on the first of each month it was his duty to collect the bills. Of course, he had other duties including keeping the coal heater supplied with fuel, waiting on customers, sweeping the store each morning and occasionally driving the delivery truck. For those duties, I was, as I recall it, paid the sum of $85.00 per month.

The credit experience which I recall most vividly came in a period several years ago when at the age of thirty-one I was sent East as manager of our Philadelphia branch. We were young, hungry and growing and I recall we were shipping in real volume to one account who carried an AAI rating. We suddenly found one morning that this firm owed us $40,000.00 and that their rating dropped to *blank*. My efforts to settle that account promptly before our home office was familiar with it gave me still further sympathy for the trials and tribulations of a credit man.

So while my credit experience is not of a professional nature, it is sufficient to give me at least some understanding of your problems. While I am perhaps handicapped in that I have virtually grown up in my company's business, having been associated with it for almost twenty-one years, I would like very much to give you at least my conception of your responsibilities and your obligations to a sales department based on our own business.

THE motto of the National Association of Credit Men is "eternal vigilance". This is certainly a laudable sentiment and it describes, I think, one of the primary functions of a credit manager. My only criticism of it would be that it just does not begin to cover the subject. To me the credit manager is a lot more than a mere watch dog. He could and *should be* a creative member of the selling team. In my own mind there are about three types of credit managers and in this case I hope you won't mind if I give you my analysis of the various types.

First, there is the fellow who makes a big hit with the sales force right away. He represents the over-lenient credit manager who loves to do business. Salesmen like this chap because he lets them operate in situations where merchandise is difficult to sell without giving the customer an unreasonably good break by excessive leniency. This type of credit manager places the salesman in a position where he has, in a sense, no competition simply because other firms will not take the risk and selling without competition is the dream of any sales department.

Unfortunately, the honeymoon between the sales department and the over-lenient or careless credit manager is usually a very brief one. He gets himself into a heavy past due picture rapidly and quickly has problems with top management. His weaknesses are easily identified and before long he is quite likely to be replaced.

Then, there is the second type of credit manager, the one who is overly conservative. This gentleman looks very much like the first one but he is merely throwing money away with his *other hand*. The first credit manager can be measured by his accumulation of past due accounts. Our second credit manager chalks up a handsome record for himself but if you don't watch him, he is going to cost more in the way of business than the careless fellow. No one has ever found a yardstick for measuring the amount of business you *don't do* due to the activities of an over-conservative credit manager. That is one of the reasons why sales departments tend to dislike him. Because he looks better on paper, he may last a great deal longer than the first fellow but in doing so will very likely cost the company and its salesmen a lot more money and he makes a sales department assignment unnecessarily difficult.

We once had a credit manager in one of our branches who boasted of credit losses of 1/40 of 1% per year. I can't feel that that record is anything to feel complacent about because it seems to me that the credit manager was not taking good business risks. He was passing up a volume of good business on a reasonable risk and in doing so was handicapping the sales organization.

NOW, having discussed the two extremes as the sales department sees them, let's see just what ingredients go to make up the credit manager who would, in my opinion, be entirely suitable both to the sales department and to general business management. I believe he must have just the right brand of optimism, intelligence, analytical ability and, if you please, a certain amount of clairvoyance.

Let's forget about the first two and let's talk about this last chap for a while. I am going to give you an outline of some of the things that a sales department would normally expect of him. I am not going to attempt to list them in the order of their importance.

A credit manager should first of all have solid business judgment. He should have the ability to scrutinize operating statements and balance sheets and locate potential trouble spots. He should be able to see both the tangible and the intangible. Perhaps I should call it a sixth sense.

The sales department has the right to expect the credit manager to keep abreast of credit affairs, to study trends, to examine all pertinent data as a means of forecasting economic trends. I recognize that a credit manager is not expected to be a crystal gazer but opinions based on experience and analysis should be helpful to the sales department.

The credit manager should frequently consult the sales department on any accounts which constitute problems. I believe that he should be willing to listen to reason and that he should be willing to take into consideration sales department problems but, in the final analysis, I feel that once in possession of all of the facts he should be able to come up with the right answer. A decision on credit should be his alone.

GOOD business judgment which I have already mentioned fits the credit manager every bit as well as vigilance. The credit department, as I have already indicated, is actually a Justice department. The decisions that are made every day in that department will in no small way determine whether a business is aggressive and prosperous or whether it is playing everything so safe that it never has a chance to grow.

I expect the credit department to carefully analyze all phases of credit operations. As an example, we have branches and I believe that the credit manager should exercise the same care and attention to branch house operations as to our over-all picture.

I have spoken of the necessity for sales department training of new men in credit and financial matters. It seems to me it is equally important for a credit department to be sales-minded. I believe that a good credit manager can be one of his firm's best salesmen. He can through correspondence with customers assist the sales department and he can just as easily stifle sales activity.

The sales department has the right to expect the credit department to become good public relations people. You are in effect salesmen in your own department but rather than sell the product itself, you must have the ability (pretty largely through correspondence) to sell your company and its policies, particularly its credit policy.

WE come now to one of the cardinal principles of good credit management. I believe that every credit manager, and those of his staff carrying on correspondence with customers, should be expert in the art of letter writing. I have

(*Continued on Page 28*)

Accounts Receivable in Bankruptcy

by T. W. ROBERTS

Assistant Secretary, Chicago Belting Company, Chicago

EARLY in 1930, the lumber company with which I was connected was adjudicated a bankrupt. We had about $30,000 in accounts receivable, and not having a job—and those of you who remember those days know how difficult a task it was to secure almost any kind of employment—one of the other men in the company and myself persuaded the receiver to let us collect our own accounts receivable under a court order. In fact, it took us three days to persuade the receiver to let us collect our own accounts receivable.

We completed our collections in about 45 days, and the receiver thought we had done so well he asked if we would take more of his cases, which we decided to do. We were not expert collectors, by any means, all our previous training having been in sales, but what the receiver didn't know was that in those days most of the buildings were being constructed under loans from the bank, and to make our collections we would go to the carpenter contractor, get an order from him against his loan, then go to the bank and collect the money—a really very simple procedure.

This put us in the collection business, and for a period of six years we handled the collection of accounts receivable in bankruptcy for four of Federal receivers, maintaining our own office.

WHAT happens to accounts receivable in bankrupt estates? At the time we started out collection activity the receiver would take possession of the bankrupt, place a custodian in charge, arrange for the sale of the physical assets by an auctioneer, and, following the first meeting of creditors, the bankrupt would be obliged to file a schedule, listing the creditors and accounts receivable, together with other pertinent information. The only action the receiver took on the accounts receivable was to send out one notice to the debtors. What collections came in from this notice were credited to the estate, and in approximately 5 or 6 months the case would be closed, the uncollected accounts listed for sale at the final meeting, and sold to agencies specializing in the buying of accounts receivable.

Since 1936 business has been better, and we have had fewer bankruptcies, but times are again back to the point where we see more of our customers forced into bankruptcy. Then what should we, as credit executives, do to see that everything is done by the receiver to collect all of the accounts receivable possible, in any bankrupt estate in which we are a creditor.

FIRST of all, as a creditor, you have a right to look over the schedule filed by the bankrupt, see just what the total is of the accounts receivable, and question the receiver with respect to the efforts being made to collect them.

In our collection activity, not only were notices sent out to the debtors, but personal calls were made, and sometimes, under authorization from the receiver, reasonable compromise settlements made, in order to increase the estate for the benefit of creditors. Creditors can do a great deal in bankrupt estates by insisting that the receiver carefully follow up the accounts receivable, employing collectors if necessary, and not go back to the old method of merely sending out one notice to the debtors.

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An address delivered before the Confectionery Manufacturers' Industry Group during the 54th annual Credit Congress in Los Angeles.

This collection experience also taught us that there are many ways to collect accounts, and I know that we, as credit executives, get just as much kick out of making collection of a past due account as a salesman does in securing an order. For instance, one bankrupt estate we had was a furniture company on the far south side of Chicago—among people most of whom worked in the steel mills. These were time payment accounts, under conditional sales contracts. Pay days were on the 10th and 25th of each month, and we soon found out that if we didn't make our collections on these days, we might just as well have stayed at home. Near the closing of this estate, the receiver permitted us to make compromise settlements with not more than 25% reduction, and we were able to collect an additional $3,000 for the benefit of the creditors in this particular estate. After calling on these debtors for over a year, it was certainly a satisfaction to be able to settle their indebtedness, and return the conditional sales contract, rather than have the accounts sold at the final meeting.

Another case was a high class women's wearing apparel store, and this case always reminded me of the bride who was extolling the virtures of her new husband to a friend. "George," she said, "is the most generous of husbands. He gives me everything credit will buy."

This bankrupt had about $50,000.00 in accounts receivable in amounts ranging from $100.00 to $1500.00 among the more or less fairly wealthy women on the North Shore, South Shore and suburbs of Chicago. Here, we were dealing with an entirely different type of debtors, and so, in analyzing the accounts, we decided to send out a

notice, and then spend a few days in the office to see what happened. It did. I'll venture to say that we had 40 to 50 women come into the office during the next few days, and their stories were all about the same—something like this. "Mr. Roberts, I owe the money all right, but PLEASE don't send me any more notices. My husband doesn't know that I made all those purchases. I can't pay it all at once, but I will send part payments each month out of my allowance." We didn't worry about those accounts, and collected every one of them.

ANOTHER case we had was a ladies' hat manufacturer. We were given the case in the winter time, and soon found out that all of the accounts covered purchases of summer hats. The hat stores were quite willing to pay for the hats sold, but they had a good number of hats still left over, and so, after receiving authorization from the receiver, we collected for the hats sold, and picked up all the unsold hats, and in the basement of my own home we set up a display of these hats, told our wives to tell their friends, and we sold every one of them at a dollar apiece—something over 300 hats—which meant $300.00 more for the benefit of creditors.

We, of course, handled many other lists of accounts receivable in bankrupt estates, but the result of this collection effort was that the creditors received a higher return when the case was closed.

In our own lumber company the creditors received 22%, and in several other cases we handled the creditors received 10% to 20% return, which was considered rather exceptional in those days.

So if you have occasion to be a creditor in any bankrupt estate—check the schedule filed by the bankrupt, ask the receiver what is being done to make collection of the accounts receivable, and, if necessary, suggest the employment of collectors to help increase the return to creditors.

Having had the experience of being a salesman, a collector, and a credit man, I can assure you that, in my opinion, there isn't too much difference in any one of these occupations. A credit executive should be a combination of all three.

BOOKS

Office Methods, Systems and Procedures. By Irvin A. Herrmann, Office Manager, Servel, Inc. 539 pp. New York: The Ronald Press Co. $7.00.

Reviewed by Robert M. Gardineer

HERE is a comprehensive text prepared not only for students of Business Methods and Procedures but for anyone interested in efficient office operation.

The author has made every effort to compile the most effective methods, systems and procedures developed by many authorities in Office Management and related fields.

Starting with the need for constant analysis of office methods and procedures, the author goes step by step through fourteen points of an office methods program citing four fundamental objectives: 1. Eliminate; 2. Combine; 3. Simplify; 4. Improve.

Mr. Herrmann goes into considerable detail on office forms, office space, paper classifications, filing, machine utilization, etc. On machine utilization, analysis of the cost of operating a typewriter is discussed—this may lead you to wonder if you are receiving fair value in productivity when compared with your typewriter operating costs.

The subject is approached from the angle of, as the author puts it, "industrial engineering applied to the office." While a bit technical in this respect, the book represents a very worthwhile accomplishment and a major contribution to the economic aspects of office administration.

Practical Financial Statement Analysis, 2nd Edition. By Roy A. Foulke, Vice-President, Dun & Bradstreet, Inc., 713 pp. New York: McGraw-Hill Book Co. $7.00.

Reviewed by Marvin D. Thorn

THIS well known reference book first appeared in 1945. There has been an excellent reception by business executives, accountants, bankers and credit and financial personnel.

The major change reflected in this improved and enlarged edition is the revision of the tables to include the five years ending with 1947.

Comprehensive in scope, the 713 pages deal with: the technique of sales analysis applicable to small business; comparative and internal analyses of balance sheets and profit and loss statements of commercial and industrial concerns of all sizes; and the surplus accounts.

The reader's attention is invited to the revised Break-even Point chapter and to the practical modifications to conventional break-even charts.

The Net Profit to Tangible Net Worth chapter has been expanded. This prominent author develops the incentive aspects of profits: to new management; to managements of established business enterprises; and to investors.

Part VII. Synthesis — is what might be termed the philosophy behind the financial statement, and a summary of more recent evolution in accounting principles and practices. The financial statement is not an absolute reality; it is based on recorded facts, so-called 'accounting conventions,' and personal judgment."

SHARP contrasts between prewar and post war embezzling in America are shown in a study titled "Embezzlers—Post War," just released by the United States Fidelity and Guaranty Company of Baltimore. Embezzlers and embezzling are still an unsolved basic problem, according to the analysis of 1001 cases of post war dishonesty from the company's files.

In the study, comparison is made with a study of thirteen years ago. The earlier study was called "1001 Embezzlers" and was the first of its kind ever made public. "Embezzlers—Post War" deals with bonded men and women employees who stole from their employers.

The sum total embezzlements of the 1001 individuals was $3,684,641.27, and the employers were paid $2,066,245.40 under their fidelity bonds, the uninsured loss of $1,618,395.87 being borne by the employers. The average stolen by the 845 men was $4,194.35, and by the 156 women $900.12.

The study, "Embezzlers—Post War," deals with men and women who were employed in positions ranging from charwomen to executives. The concerns for which they worked were domiciled in every section of the United States and Canada. These organizations were business concerns, banks, fraternal societies, labor unions, state, local and federal governments, and the armed forces.

The study carries a number of charts and tabulations, as well as histories of typical cases.

Credit Research Foundation Reports On Cash Discounts

THE Credit Research Foundation has just released an interesting report on cash discounts and invoice datings to its members which may very well cause some companies to reappraise their cash discount policies.

Based on replies to a questionnaire circulated among CRF and NACM members, the study covers discount costs, 1st of month dating on sales made after the 25th of the month in conjunction with E.O.M. and proximo terms permitting a cash discount, the advantages and disadvantages of a cash discount policy, and other related subjects of interest to credit and financial executives.

The report is a continuation of the Foundation's study of Credit Department expenses, the first phase of which was completed and published in booklet form in May, 1950.

The first phase of another Foundation project is nearing completion and will be reported on next month. Embracing the productivity of credit, this study will utilize actual case histories to point up credit as a positive, profit-making factor.

Companies interested in obtaining information about the Foundation and its publications should direct their inquiries to Credit Research Foundation, 79 Madison Avenue, New York 16, New York.

LEGAL NEWS AND NOTES

of interest to financial executives

Reviewed by Carl B. Everberg,
Assistant Professor of Law, Boston University

Credit Men, Credit Security Devices and Article 9 of the Proposed Uniform Commercial Code. X[1]

WHILE much of Article 9 of the Code has to do with the protection of certain liens obtained by finance companies and banks on loans made to debtors (the more common of which are assignments of accounts receivable, pledges of field warehouse receipts, non-possessory factors' liens) the subject-matter is one of much interest to suppliers of merchandise credit. In the first place these are of the types of liens which have (in absence of statutory provision) been of the secret variety. Many a merchandise credit man has been vexed in the past to find that a customer was pledging his accounts receivable while he had no way of checking the fact in any public records. This state of affairs has been remedied in some of the states by requiring certain methods of public notice but several of the states have done nothing on the matter. The hope of making the matter uniform lies in the adoption of the proposed uniform commercial code by a sufficient number of states.[2]

But beyond this interest which credit suppliers have in a uniform regulation of the manner of giving public notice of these typically secret liens there is another reason why the subject should engage the interest of purveyors of merchandise credit. The finance companies and various banks have practically pre-empted the use of these liens. But there seems to be no legal reason why merchandise creditors cannot, under various conditions, make use of them in securing credit. Thus a supplier of merchandise credit could take an assignment of the customer's accounts receivable as security for the credit. Likewise, a furnisher of merchandise could make a field warehousing arrangement and take the customer's warehouse receipts as security for the credit. Credit men should explore the possibilities. The objections, of course, might be of an economic sort. In other words, a manufacturer might find the financing of customers in this manner too burdensome because the liquidation by the customers of their indebtedness to the manufacturer would be necessarily slower than under conventional short credit terms. Nevertheless there would be a compensation in the form of interest charged to the customer. And it must be remembered that many a manufacturer and wholesaler distributes goods and merchandise by way of the consignment arrangement which ordinarily does not provide interest on merchandise lying idle on a dealer's shelves or floor.

THE proposed Uniform Code contemplates a single filing system for all of these credit security devices. That is the most constructive measure contained in Article 9. No matter what novel devices will be invented in the future, whatever form they may take, they will fit into the one common scheme of filing. Credit men will find it simple to locate these liens when the Code is adopted in the respective states. There need be no fear of secret liens then, for every conceivable lien must be subject to the recording requirements of the Code. Such liens as the bailment lease, the pledging of warehouse receipts, even the consignment contract (if used as a security interest)—all of which have scarcely ever been required to be put on public record in the various states—will, under the Code, be subject to the light of public notice.

The Code will recognize the right of lienors to bring under the force of the security device after-acquired property, accounts not to arise until some time in the future, proceeds of sales of goods still in process. While the security interest cannot attach to things not yet in physical or legal existence, the Code, as it is contemplated, will permit the interest to attach automatically to the newly acquired property without any new act being done by the secured lender, provided the essential public notice is given. All of this will help to give blessing to the use of the most recent invention in the field of security devices—the non-possessory factors' lien. Some 21 states have already passed statutes permitting liens to factors to attach to accounts receivable not yet in existence, on merchandise not yet processed, and not in the possession of the factor, but there has been much trepidation as to the treatment which the courts will give to these statutes. Practically no courts of appeal have as yet interpreted these factors' lien statutes, except in the state of New York, and even in that state there is a dearth of interpretation.

The method of giving public notice of all liens and security interests will be through a "financing statement." The Code sets up the formal requisites of this document which will constitute the public notice. It is simple enough; perhaps it is too simple because the security agreement need not be filed, only a notice of it. Yet notice of the agreement should be sufficient to put a credit man on guard and he should be able to obtain from other sources the details of the financing arrangement.

1. Expansion of comments on same title in the July issue of CREDIT & FINANCIAL MANAGEMENT.
2. As mentioned in Augut issue, the final adoption of the Code by the American Law Institute and National Conference of Commisioners of Unicrm State Laws has been postponed a year (until May, 1951).

THE Code provides that it shall be sufficient if the financing statement is signed by the debtor and secured lender, if it gives an address of the secured lender from which information concerning the security interest may be obtained, if it gives a mailing address of the debtor and if it contains a statement that the secured lender has or intends to have a security interest in collateral of the kind or kinds listed. Thus, no more formality or complexity is necessary than that suggested in a sample form inserted in the Code (Sec. 9-403) (for accounts, etc.):

Name of assignor:
Address:
Name of assignee:
Address:
The assignor has assigned or intends to assign (here should be listed the accounts, chattel paper, etc.)

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____

The form for liens on inventory, equipment and farm products differs only from the above in the statement at the bottom. In the latter case the statement should be: "The lender has or intends to have a security interest in goods of the following kinds": (list them).

There is no requirement of acknowledgments, affidavits, witnesses. All is simplicity itself.

In a following article the rights on default, both as to the lender and the debtor, will be commented on.

Can a supplier hold orders indefinitely without notifying customers of acceptance or rejection?

WITH the possibility of shortages coming up in connection with the pressure of a war economy it may be well to take steps to avoid the result in a leading case in 1919 (*Cole-McIntyre-Norfleet Company v. A. S. Holloway,* 141 Tenn. 679, 214 S. W. 817, 7 A. L. R). Here, a traveling salesman solicited and received from a dealer an order for certain goods. After the order was given the dealer heard nothing from the supplier for two months. In that interim the price on all of the articles had greatly advanced. The order form (being in form a contract) provided that it was not binding until accepted by the seller. Yet, the court held that silence on the part of the supplier in this case effected an acceptance. Ordinarily, an offer made to another cannot be turned into an agreement because the offeree makes no reply. However, where parties have been dealing with other for a period of time, and, in the past, goods have always been shipped within a reasonable time after receipt of an order, acceptance of an offer may be inferred from silence. Said the Court: "We think it is the duty of a wholesale merchant, who sends out his drummers to solicit orders . . . to notify his customers within a reasonable time that the orders are not accepted; and if he fails to do so, and the proof shows that he had ample opportunity, silence for an unreasonable length of time will amount to an acceptance, if the offerer is relying upon him for the goods."

If, therefore, a manufacturer or wholesaler finds it difficult, in view of shortages, to decide whether to fill orders promptly, care must be taken to post the customer on the situation and not hold an order an unreasonable time in silence. Perhaps a form letter can easily be devised to cover the conditions.

Parliamentary Law.

CREDIT men need some knowledge of parliamentary law and procedure. They frequently convene and conduct business meetings. The ability to properly conduct a meeting as chairman of, for example, a meeting of creditors, is invaluable. Many books on the subject have appeared through the years. Robert's Rules of Order (Revised) has been considered an outstanding parliamentary authority. The most up-to-date book on the subject is *Demeter's Manual of Parliamentary Law and Procedure,* Bostonia Press, Boston, Mass. Price $2.00. 1950 edition. Consisting of 256 pages, it is packed with model forms of all the various motions, forms for the disposition of the motions; it sets forth the steps for starting new organizations, for setting up by-laws, the amendments and revisions of by-laws; it furnishes models of many such things as prayers, opening exercises, installation rituals, oaths of office, introductions, presentations, acceptance speeches, resolutions for conventions, many of which things are missing in other books of its kind.

2700 Accounts—One Clerk

by LEWIS T. BOLGER

SATTERWHITE'S, Henderson, N. C. furniture house, has "mechanized" its credit and collection operations—without buying a single machine. At a total cost which was offset in less than a year by savings in clerical overhead, Satterwhite's has developed a one-clerk control over its 2,700 installment accounts Employing a combination of specially designed ledger cards, simple visible margin charts, Graph-a-Matic signal tabs and an "automatic" collection envelope, the Henderson concern has chalked up, in a little over a year-and-a-half, results as these:

1) Savings in clerical costs, through the elimination of one part-time clerical aide.
2) Positive collection control.
3) Elimination of customer complaints over payment record inaccuracy.
4) Increased operating efficiency, because the new system is simpler and easier to maintain, and better administrative control, because the records are easier and clearer to review, by the credit manager and other executives.
5) Full protection of vital records.

A LITTLE less than two years ago R. E. Satterwhite, president of the concern, came to the conclusion that the credit and collection system which was being maintained in loose-leaf books was inadequate.

The score against it was, in fact, high on a number of counts, among them: a) it afforded poor administrative control, since executive decision usually had to be based on review of all or nearly all records; b) the books necessary to house all information on some 2,700 accounts were cumbersome, and posting detail seemed unnecessarily heavy; c) because of the clerical and administrative difficulty of siphoning out information from the mass of detail, credit and collection control was relatively poor. (The necessary information was usually all there, but getting at it was a tedious and time-consuming job.)

IN SEPTEMBER, 1948 the firm called in Remington Rand management control specialists. What Satterwhites' got in the way of new equipment, card forms and procedures was predicated on these requirements, set forth by the stores' management:

First, it must provide full information—in easy-to-assimulate form.

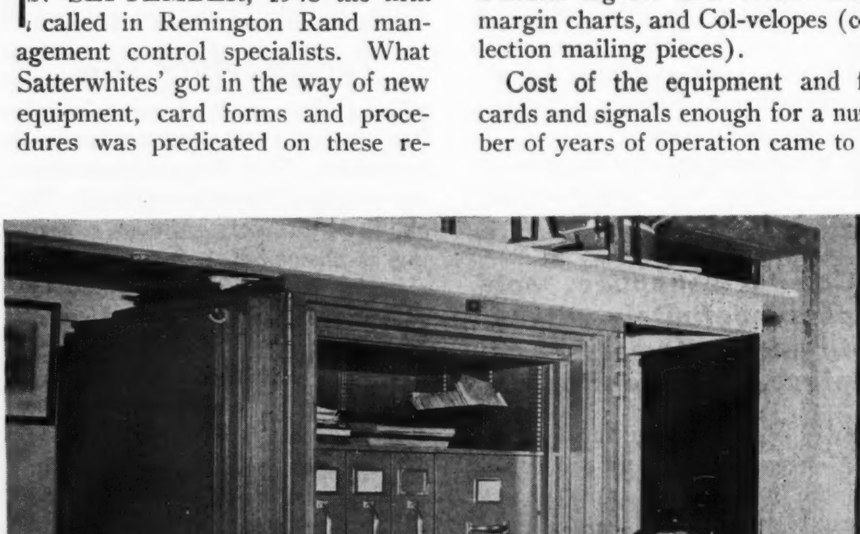
Second, it must provide positive collection control.

Third, it must be easy to operate.

Fourth, because of their value, the records must be adequately protected, particularly against fire.

The equipment which was decided upon was a combination of Kardex Safe-cabinet, with slides for the ledger cards, Kardex cards, Graph-a-Matic signals and visible index margin charts, and Col-velopes (collection mailing pieces).

Cost of the equipment and for cards and signals enough for a number of years of operation came to an



With this compact installation one clerk can take care of all accounts.

amount that represented an investment of about 50 cents per installment account on the company's books at that time.

The cards which serve as the basic record of each customer's account—the installment ledger cards—are 9" x 5" forms that fit (folded) into 8" x 5" Kardex pockets.

THE fold-over front part of the ledger card consists of two parts, a customer history (payment) record, and the customer purchase record. When it is folded back the form becomes a ledger card, with room for 126 entries.

On the visible index margin of the card is typed the customer's name. Pre-printed sections are provided for the setting of signal tabs to show the payment status (whether weekly or monthly) and the collection status. This latter is on a January-to-December Graph-a-Matic scale, which is also broken down into four monthly units, to handle the weekly payment records.

Satterwhite's uses Col-velopes (payment due reminders) for follow-ups, and although the visible index margin on the ledger card has four spaces (for signal tabs to show the number of reminders sent out) only three are used, after which the account is turned over to the collector for personal visit.

The Graph-a-Matic signal tabs are used at Satterwhite's to give a visual picture of the account status in two ways—according to their color and their position on the visible index margin charts.

A SIGNAL tab slides over the January-to-December scale to show the date of last payment. Depending on its color, the signal also shows whether the customer is considered prompt, slow, "credit limited," or bad risk. These signals also show when follow-ups are required and how many were sent.

In connection with these Kardex card forms and signal-and-chart procedures, Satterwhite's use a standard contract form and payment receipt. When a customer comes in to the store to make a payment a credit receipt is made out in duplicate, and one is given to the customer and the other is used to post the installment ledger record.

With a card-chart-signal system such as is now used by the Henderson, N. C. concern, some of the credit and collection story is told in the postings to the installment ledger cards; some of it is signalled by the Graph-a-Matic tabs on the margin charts, and, finally, some of it is told merely by glancing at and noting the *color* of a signal.

This graphic method of maintaining their credit and collection records, Satterwhite's has found, not only reduces clerical work and costs—it gives management at-a-glance administrative control and makes everybody's job easier and surer.

Finally, while the actual economies are substantial (in lowered clerical, stationery and mailing costs) the principal advantages cannot be measured in dollars and cents, including as they do such things as records which can be reviewed more easily and accurately by the credit manager and other interested executives; the fact that an accurate, simple and smooth-working procedure is certain to mean better customer relations, and the almost incalculable advantages of having collections "clean" and easier to handle.

(*Editor's Note: Although this short account describes a retail operation it is readily applicable to small wholesale businesses.*)

Foreign Survey

(*Continued from page 6*)

question of governmental debts or service obligations, and the classification of "Credit Conditions" refers to the situation within the various Latin-American markets from the commercial point of view only, as judged by American manufacturers and exporters. Comments made by those replying to the survey under the general heading "Collection Conditions" may be considered as indicating the current trend based on the definite experience of American manufacturers and exporters having commercial collection items in the markets surveyed. The "Terms" feature of the survey simply reports whether Members' terms during the first half of 1950 to Latin American buyers were "Unchanged" or "More Liberal" or "Less Liberal" than those granted during 1949, and the replies have been listed country by country in percentages.

The Tax Creditor

(*Continued from Page 11*)

or a reduction in liabilities.

But what happened to the slice of income that was set aside for the tax collector? Perhaps it has been set aside as cash or securities to meet tax payments as they fall due. Or perhaps it, too, has been "retained in the business" as a sort of self-negotiated loan, and reinvested in inventory or fixed assets. And the credit man, in such a case, has the duty to ask: "is this customer's credit that good?" Could the customer have borrowed that much from a recognized lending agency? If he can borrow the money to meet his tax obligations as they fall due, should that be necessary, then it would be unreasonable to criticise him for using tax money to finance interim operations of his business. But if that reserve capacity to borrow is not there, then the customer has, in effect, pledged all of his equity and yours to the tax collector on the gamble that the lien can be discharged from income or an improved financial position yet to materialize.

IT WOULD not be reasonable to measure credit risks by applying liquidation standards to the balance sheets of going concerns. The ability to pay is too closely allied with the debtor's experience, integrity, and business acumen. And there are no statistics to prove that tax liabilities cause business failures. Neverthless, the tax creditor is an impersonal legal demand, and his claims have to be satisfied before your bill for merchandise is paid. if priorities are imposed.

What happens if a customer fails to pay his taxes? The federal laws make the amount of the tax a lien in favor of the United States upon all property and rights to property, whether real or personal, belonging to the taxpayer. The government's right to priority is statutory, and, as against unsecured general creditors, is valid without notice of lien having been filed. State tax claims are also ahead of general creditors.

If the taxpayer's financial difficulties are temporary, he can usually arrange with the tax collector for an extension of time within which to pay the taxes and get back on a current basis. If the financial structure totters and falls, tax claims will be paid in full out of the wreckage before the general creditors participate.

BUT the tax creditor does have one bright streak of human charity. He may even be credited with averting many business failures, perhaps thereby atoning for his greed when the prey falls. The loss carry-back tax refund has probably wiped many delinquent accounts from your records and provided the cash transfusion to keep life and hope in many of your customers. It is not a fountain of perpetual relief, however, and two years of bad luck will drain it dry.

But carry-back refunds are not free from all tax guile, and may give false hope to lead a crippled enterprise into disaster. The financially distressed taxpayer with a loss carry-back is always anxious to get his hands on the refund money. He has probably promised it away long before his application was filed. And in order to get the money quickly, the refund is requested on a form which is titled an "Application for a Tentative Carry-Back Adjustment." And that is exactly what it is—a tentative refund, subject to revision upon examination of the tax returns for the years involved.

The application is reviewed for compliance with the technical requirements of the carry-back provisions of the law, but the refund is customarily made prior to a complete audit of the tax return for the year of loss, and in many cases before a final determination of the tax liability for the prior year to which the loss is carried. Under this administrative procedure, it is possible for a taxpayer to find himself confronted with additional tax assessments long after the tentative refund money has gone down the financial drain.

In conclusion, we may reasonably expect to meet a tax collector in virtually every credit review, and regardless of his position on the balance sheet, we should bow respectfully to his statutory priority. His purported claim may have been self-assessed by the taxpayer under complex and technical rules of computation, and it behooves the credit man to be on guard against self-serving declarations of optimism both as to the amount of the liability and the debtor's ability to discharge it out of tomorrow's financial hope.

The Perfect Credit Manager

(*Continued from Page 19*)

seen letters which are undiplomatic, I have seen stilted phrases, I have seen lack of consideration and I believe that the ability to write a friendly but firm letter is one of your most important responsibilities to the sales department. I think that you must almost be a master of psychology and, for heaven's sake, if you decide to allow a cash discount beyond the cash discount period, if you decide to give a customer a break, then don't insult the customer *before you do it*.

I have seen many cases where the customer is told "It is against our policy", "we really should not be doing it", "you are taking advantage of us", "we are going to allow it this time but don't ever do it again or we will cancel your franchise". It seems to me if we are going to do something of that sort we should *buy something with it*. I believe that it is possible to be both firm and friendly and I would like to say right here that the comments I have made in this case have nothing whatever to do with our own credit people. I believe they have done an excellent job on this sort of thing

I don't believe that I can stress too strongly the importance of good letters and the importance of your becoming personally acquainted with your company's customers. I have always found it materially simplifies the correspondence which you carry on with them. One of the best and most adroit letter writers I know utilizes a method which seems to me to be quite simple but it is most workable when he knows the person to whom he is writing. He merely pictures the customer in his mind as just sitting across the desk from him, then rather than to use stilted phrases, he just starts "talking" to

that customer. He carries on an imaginary conversation with the customer and from the results I have seen, I can recommend it. Smile as you "talk to the customer" and I think you will find that regardless of the letter's content you will find a smile hidden in it—it will be a good letter. It will be the type of letter to which your customer does not ordinarily object and it will be helpful to your own sales department.

THE sales department has a right to have a rather complete knowledge not only of our business but of individual businesses of our varying types of customers as well. Such a knowledge is helpful in making the proper decisions. Varying types of customers require varying types of treatment. We sell chain stores, we sell mail order houses, we sell hardware jobbers, we sell appliance distributors; each of them has a different problem and a different method of paying his bills. The requests they make could easily seem unreasonable unless our credit department had at least some knowledge of their problems and of their methods.

YOU should train someone within your department to take your place. I once knew a man who followed a philosophy of teaching his associates just as little as possible. I once heard him make a comment to the effect "I am going to teach you as little as possible, otherwise some of these days you may get my job." That is certainly a short sighted policy. It limits the credit manager or anyone else for that matter in the way of future growth. You should teach the members of your department just as much as you can about your own assignment *because you will never advance until there is someone else able to take your place.*

If you must worry about accounts receivable or about any particular account, it is my recommendation that you *get someone to worry with you.* If you follow that practice I think you will live longer, and if you don't *you will get ulcers.* I would like to elaborate on that comment just a little. I do not mean that the credit manager should not make his own decisions. He must be the final authority but in playing on the sales department team he sometimes takes chances. In some cases I know it is done against his better judgment and my own association with credit people indicates that they are happier about the whole thing if other members of the organization "do a little worrying along with them". I hope I have made that point clear. I merely feel that if other members of the organization are conscious of the problem the credit department will get a great deal more cooperation in correcting it.

The last thing I feel I have a right to expect of a credit manager is, I think, to "bail me out occasionally". All of us can make honest mistakes. As a matter of fact, I have just recently made one which is causing me no little embarrassment. It has to do with a new distributor with whom we have recently signed a contract.

I discussed his operation with this distributor, I saw his statement, I was assured it would look substantially better January 1, he insisted that he was discounting his bills and I *thought* I had checked the whole thing with our credit department but it subsequently developed that this was one little detail I had failed to take care of.

We now find ourselves in a position of having cancelled one distributor who had a good credit rating but who was ultraconservative. I have burned by bridges behind me and signed an agreement with a new distributor. It is now apparent that our credit department is not in a position to make reasonable shipments. I should never have made a commitment without prior clearance by our credit manager. It is the first time in fifteen years of supervisory work I have made this mistake but now that it is done and I am in trouble, our credit manager is "bailing me out". You see, in my company we regard the credit manager as a "life saver" too.

To sum up the whole thing, I believe that I can in a very few words offer some excellent advice both to credit departments and sales departments. I should like to see them form an alliance, with the sales department resolved to become better credit men and the credit department equally firmly resolved to become better salesmen.

Twenty Times Twenty Questions

(*Continued from Page 9*)

it a business building—not a residence, hotel, post-office box or other transient address?

Of a buying blitz? Was the order received unsolicited from a new customer in the time of a highly competitive buyer's market? Was it accompanied by an unsolicited and healthy-appearing financial statement?

Does a recent Credit Interchange report show numerous creditors reporting first orders? Or larger orders than previouly? Or orders for lines not previously bought? Are these developments unexplained by market conditions or known legitimate expansion of the business? Or by the fact that it is a newly established business necessarily buying from sources for the first time?

Of misuse of references? Does a recent Credit Interchange report show only one or two creditors reporting consistently prompt payments while numerous others report past due balances? If, in this situation, many new accounts are reported, the debtor may have opened them on the strength of favorable references from those one or two promptly paid creditors. Did he submit references to you in those markets? Did the experience they reported to you indicate that they are probably the same creditors?

If you consulted trade references which were submitted by the customer, did three or more of them report "no account," or "no experience within a year?" Did any creditors whom you consulted indicate that they have been receiving many inquiries in the past two months?

Of attempts to becloud ownership? Is the trade-style or trade name closely similar to that of a well-established and well-rated firm at another address in the same city? Did the customer refuse or evade your request or the salesman's request that the order be signed by the owner? Does exact ownersip and responsibility remain cloudy in spite of your efforts to get a clear-cut definition of it by methods indicated in the preceding section? When consulted personally did the customer show evasion or lack of cooperation in answering your questions aimed at establishing clear-cut definition of ownership and responsibility?

If the business operates as a proprietorship, does the nominal owner appear to be the real owner? Or, on the contrary, is there evidence of hidden ownership: if there is an absentee "owner," particularly wife or relative of the "manager," does the manager appear to assume full responsibility? Did your credit report name him as "principal" even though another was named as owner? Does he sign the checks? Make the important decisions? Is an unsatisfied judgment outstanding against him? Does his record indicate the possibility of past fraudulent operations? (See below under that heading.)

Is there evidence that the financial statement submitted is or might be false?

WAS the financial statement submitted to you in person even though you requested that it be mailed? If you asked the owner(s) to sign the statement was your request refused, evaded, or ignored? Is there a substantial unexplained shortage between cash in bank as shown on the latest balance sheet and the balance in the account reported by the bank(s) as of the same date? How much insurance coverage was carried at statement date? Does the amount indicate that assets shown on the statement were either overstated or underinsured?

If you have learned that at statement date accounts receivable were assigned in whole or in part, were the assigned receivables included on the statement as assets without showing the corresponding liability? Was there no mention of the assignment on the statement? Or in accompanying explanations?

If any of the assets listed on the statement had a lien or mortgage upon them was this liability omitted from the statement? Did trade or bank creditors report amounts due from this business at statement date which were obviously omitted from the statement? Have creditors reported outstanding balances past due at a time when the financial statement of approximate date shows cash income sufficient to retire debt on time?

Does the record of the business or its principals point to possible fraudulent, unethical, or questionable past practices?

(Questions will be phrased as if there were only one principal, but the record of each principal when there are more than one should be subjected to individual scrutiny along the same lines. *Principal* as here used refers to owner, manager for absentee owner, each of the individual general partners of a partnership, and the officers and board members of a corporation.)

IN THE business history of the principal do sizable chronological gaps occur? Has it been impossible for you to fill these in by further indirect inquiry? In the personal interview did the principal avoid answering specifically your direct questions about any such gaps? Or supply you with information which likely persons were unable to verify? Does the history of the principal gathered from outside sources disagree materially with his own account of himself in personal interviews?

Has the principal as an individual or while acting as principal of any business unit including this one been involved in bankruptcy, compromise settlement, assignment or other form of liquidation in which creditors were not paid in full? More than one? At what respective dates?

If involved in bankruptcy, was the action voluntary or involuntary? What were the total liabilities? Were creditors paid under 15%? Was there a wide discrepancy between (1) net assets shown on the latest balance sheet submitted with-

FIRE PREVENTION WEEK, OCTOBER 8-14, 1950

in a year before the petition and (2) schedules filed with the petition? Was the debtor unable to account before the court for operating losses to this extent? Was the debtor unable to produce books and records?

Was there any investigation by the Fraud Prevention Department of NACM or by the Department of Justice? Did the trustee charge the withholding of any assets? Did the court order their restoration in turnover proceedings? Did the creditors or trustee object to the debtor's discharge which, however, was later granted? Did the debtor fail to receive a discharge? When he started in business again, what was the source of his capital?

Has the principal ever made an assignment for "the benefit of creditors?" To a friend? Did he fail to make his books and records and himself available to creditors for examination? What percentage of payment did creditors receive?

Has this unit, while wholly or partially controlled by the principal, or has any unit in which he was acting as principal, been found guilty of violation of Fair Trade Practices? Or postal regulations relating to transacting business through the mails?

HOW many fires have occurred in any business, including this, in which he was principal at the time? With respect to each, did it originate on the premises? Was it covered by insurance? Did the insurance company contest the claim or refuse to settle?

As above, how many robberies? Dates? Amounts? Covered by insurance? Did the insurance company contest the claim, delay or refuse settlement? Did the principal ever claim a robbery as excuse for non-payment of creditors, but fail to report it to the police?

Have you or your salesman ever noted in this business unit's advertising any misrepresentation of your goods or of other goods known to you?

Has the principal ever been convicted of a felony? Has he operated or been employed in other cities? In how many in the past ten years? When asked, did he fail to give satisfactory account of what he was doing? Why he left? And when, in each case? Or if he gave answers and you attempted to verify them, were you unsuccessful?

OUR questions illustrating the technique of pegging responsibility, making sure of legal competence, and of weeding out Jones' who are quite likely up to shenanigans are at an end. But a scientific approach to any problem, whether it be a laboratory experiment, or a credit investigation, requires that we exercise constant care not to draw inferences from too few data.

No seemingly unfavorable answer to any single question above can justify our condemning a man's good intentions, past or present. We must ask ourselves, "What are the answers to the other questions?" "Where does the *weight* of the evidence lie?" "Do I need further information?" "How long ago was that?" "What has he been doing since?"

Refusal to sign an order or to submit a financial statement may not of itself signify unscrupulous intentions. The refusal may have been motivated by crotchety pride or overcaution. A liability omitted from a financial statement could have been omitted through oversight, carelessness, or lack of accounting experience. Additional questions would bring this to light.

Indeed, very active buying does not of itself imply a planned bust. It may, of course, be reckless buying that would eventually add up to the same loss for creditors. It may, on the other hand, be unwise buying that could be brought under control by creditor-counseling. Or it could even, in rare cases, be wise buying under circumstances not evident on the surface. Certainly it calls in any case for very careful study and comparison with the other answers; and certainly the weight of *unexplained* active buying lies heavily in the scales on the side unfavorable to the buyer's intentions.

Fairness, too, requires that we take care not to freeze Jones in his shadowy tracks of ten or twenty years ago. The *direction* in which he has been going from then up to the time of placing his order deserves our careful attention. If a past clouded by some questionable performance has been since counteracted by sustained "good behavior," it is our social responsibility to give careful weight to this later activity and to cooperate with a man who has obviously undertaken his own rehabilitation.

Sift the evidence. Weigh it carefully. Make all the known entries on both sides of the ledger before you close the books and balance them!

HAVING suggested ways of weeding out the Joneses who, as the evidence goes, seem bent upon cheating us, or those who seem pretty clearly to have cheated creditors in the past and to have shown no positive signs of rehabilitation, we will turn our attention in the next chapter to that very great majority of Joneses who, at the time of contracting their debts, do sincerely intend to pay them. Questions in that chapter will essay the task of pointing up the probability that Jones will or will not let interferences and difficulties thwart the carrying out of his good intentions.

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First, compare the *results* you now get from present methods—machine or manual—with the results you can get from *Foremost*. This all-new, all-purpose accounting machine has simplified the whole problem of producing the records you need...speedily.

Second, compare *Foremost* with any other descriptive accounting machine made. Compare the automatic features shown in the chart...features that assure greater output hour by hour and day by day on *any* accounting job.

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COMPARE FOREMOST'S FEATURES	FORE-MOST
Touch-method operation from the simplest type alphabetical-numerical keyboard—saves reaching for any key.	YES
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Automatic tabulation from one column to the next without motor bar operation—speeds posting.	YES
Automatic column selection by new "Selector Key" feature—increases accuracy and speed of distribution.	YES
Visibility of posting line and all totals—provides for easy insertion of forms, entry of previous balance and reference.	YES
Flexibility of registers and controls—permits form changes as required and use of machine for two or more applications.	YES
Your operator gets more work done because FOREMOST does more of the work.	

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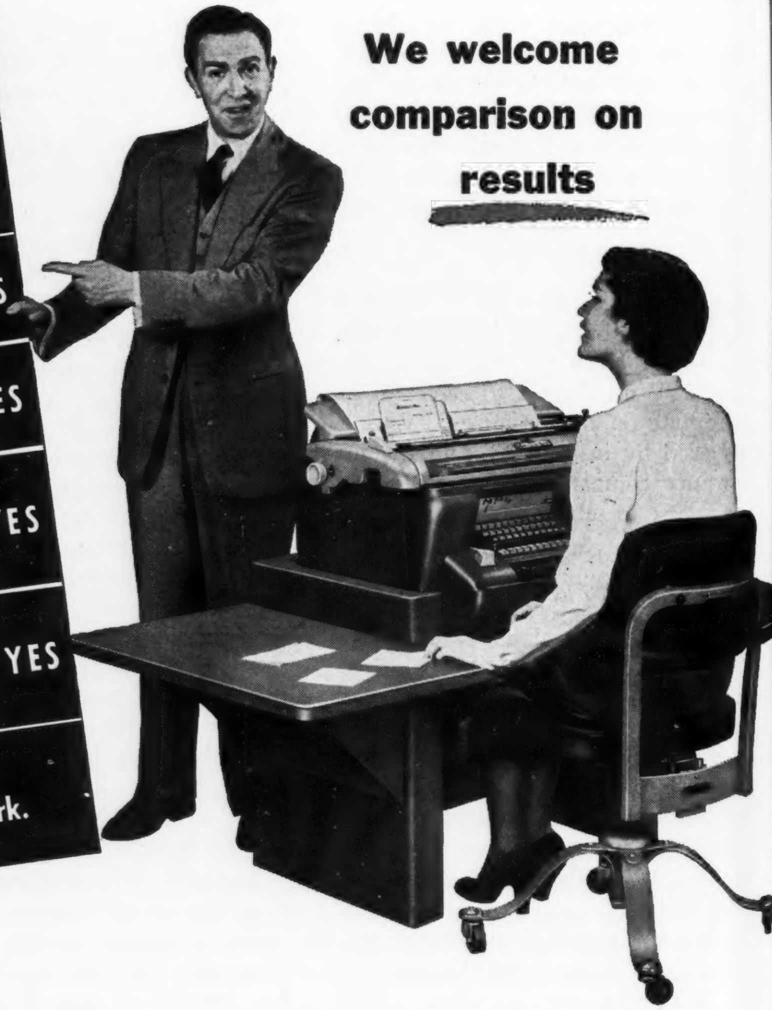


See *Foremost*

The *Remington Rand* Accounting Machine

ASSOCIATION

NEWS

Credit

and FINANCIAL MANAGEMENT

LOCAL

NATIONAL

Credit Conferences in 1950 Assume Greater Importance Than Ever

THE message that follows was sent out to members who might be planning to attend the Northeast Credit Conference in New York October 19-21. During the month of October regional conferences are held throughout the country and the editors feel that this message, written by national director L. D. Duncan, National Distillers Products Corporation, is most timely and applies with equal force to all conferences. For "Northeast," therefore, read your own conference. For "New York" read your own conference city. Regional conferences fill in a tremendous gap between annual conventions. No credit executive should miss any conference he could possibly attend.

IT is most significant that the Northeast Credit Conference is being held in the charged atmosphere of a tense international situation and under a 1950 war economy imposed upon us by the threat of communism from abroad.

Now our annual regional meeting assumes added importance—and interest—when it convenes in New York October 19, 20 and 21, in the third month of the Korean war.

The impact of this international crisis upon America only serves to emphasize the great responsibility of credit and financial management's part in the safe-conduct of business and industry through the changing economic scenes.

This year's Northeast Credit Conference offers us an unequalled opportunity to mobilize ourselves for the tough job now facing all credit and financial executives.

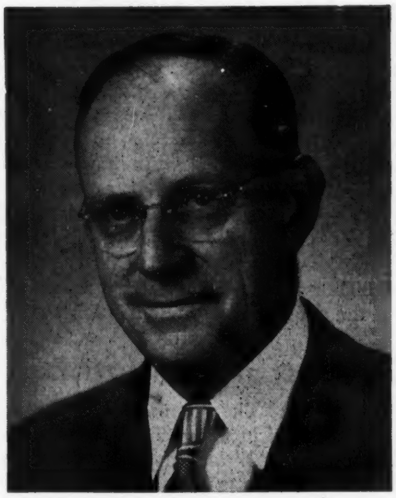
Events, unforeseen when we last met, make it more than ever necessary that we share one another's thinking and benefit mutually in a free exchange of ideas.

For these reasons our Conference planning has revolved about the vital questions credit and financial executives are asking today. An intensive program has been prepared to meet your need and demand for authoritative and expert information regarding the current situation. The entire meeting will be permeated with the consideration of new problems involved in our sudden shift of the country's finances and resources to a wartime economy.

Here we expect to learn the answers to many of the questions posed by this new economic outlook. What are other firms and credit executives doing to meet these new conditions? What about controls, regulations, taxes, allocations and shortages and their effect on business

(*Continued on page 34*)

W. J. Hempy Heads San Francisco Board of Trade



San Francisco: Walter J. Hempy, formerly of the M. Seller Co., has been appointed Secretary of the Board of Trade of San Francisco, effective September 1. The appointment was made at a special meeting of the board of directors held on July 26.

Mr. Hempy succeeds George W. Brainard who was appointed executive vice-president at the same meeting. Mr. Brainard is well known to credit executives throughout the country.

Mr. Hempy is unusually well qualified for the position, being a graduate of the University of Oregon, a Certified Public Accountant, an experienced credit executive and a man of wide experience in liquidation problems.

Boston Prepares To Play Host to 1951 Convention

In May of next year credit executives from all parts of the country will converge on Boston for the 55th Annual Credit Congress.

Boston has been host to the National Association of Credit Men on two previous occasions—in 1912 and in 1931, the year that Henry H. Heimann was elected President and subsequently Executive Manager. Convention facilities in Boston are unusually good. There are several large modern hotels within a small area of the town and many smaller, more intimate, but equally modern hotels also.

As a shopping center Boston ranks with the foremost in the country. Some of the Boston stores have been occupying the same sites for over a hundred years and the Boston tradition of conservative courtesy will be noticed right away.

Boston is a city of great contrasts. In the financial district, for instance, there are to be found skyscraper banks and two-story buildings dating from Revolutionary times adjacent to each other. The old and the new point up each other in every part of the town.

The Boston Convention Committees have been at work for a long time on plans to make the 55th a most memorable convention. Working with them has been Frederick H. Schrop, National Convention Director.

The burden of this message comes from the Housing Committee. Every year the participating hotels in convention cities receive individual registrations from members which they cannot honor since the housing—that is the *comfortable* housing—of convention delegates creates quite a problem of logistics. The hotels have been forced to refuse any convention registrations which do not come through secretary-managers. Hence the Housing Committee for the Boston Convention urges all who are planning to attend the Convention to make their reservations through their local Associations. It might seem a little early to start talking about registrations when registration forms will not be available until February. However, this is such a peren-

(*Continued on page 34*)

Conferences

(*From page 33*)

and extension of credit? How is unwise speculation to be held down? What about costs and prices? How can my firm's working capital be kept liquid? What about the problems posed by increased production demands of our Army, Navy, Marine Corps and Air Force throughout industry? These are only a few of the questions now on our minds.

N. E. Conference Plans Include Credit Awards To Sens. Byrd, George

FROM start to finish the conference will present outstanding speakers drawn from the top levels of business. On Friday morning we will hear from Philip J. Kelly, director of advertising and promotion for National Distillers Products Corp., and Saul Cohn, vice-chairman of the board of City Stores Mercantile Co., Inc.

Friday's luncheon will feature one of the wittiest business speakers in the country, Gene Flack, sales counsel and director of advertising for Sunshine Biscuits, Inc.

Friday afternoon will give delegates a chance to join in discussion sessions with others representing the same field. Panels for these Industry round-table sessions have been picked for men's furnishings, radio & electrical, food, women's wear, textile, floor covering, house furnishings, and paint and hardware trades.

For others there will be a general session which will see delegates from all of the northeastern region taking part.

Friday evening's banquet will be highlighted by the presentation of Awards to attending United States Senators, Harry F. Byrd of Virginia and Walter F. George of Georgia. NACM medals are for outstanding service in the cause of good business. In addition to Henry H. Heimann special guests will be NACM president, A. J. Sutherland, and Robert T. Stevens of J. P. Stevens & Co.

On Saturday delegates will attend a breakfast "on the house" after which Roy Foulke, vice-president of Dun & Bradstreet will conduct a credit shop-talk session. For the credit ladies, there will be a luncheon at noon arranged by the New York Credit Women's Group. The conference comes to an official close at noon.

Special consideration has been given in planning events so that delegates will have the maximum amount of time to make business calls, take in special points of interest and entertainment in New York.

For wives of delegates, a Friday tour has been arranged with special buses to take them on a trip through the city through the new Battery-to-Brooklyn Tunnel and returning over the East River Bridge past the just occupied U.N. headquarters. They will have luncheon en route in one of Famous Chinatown restaurants and will receive a valuable gift-souvenir to take home.

Bellingham Has New Officers But Must Seek New Secretary

Bellingham, Wash.: The Bellingham Association of Credit Men reports new officers for the coming year. The Association also has regretfully received the resignation of its secretary, Walter F. Fisher, who has served in that capacity for 24 years.

E. L. Parsells, National Grocery Company, 1125 Railroad and Chestnut, has been elected president and will also act as secretary until a successor can be found for Mr. Fisher. Robert L. Miller, Union Printing Co., is vice-president.

G. Earl Brister Honored At New Orleans Dinner

New Orleans: A testimonial dinner honoring G. Earl Brister, American Sugar Refining Co., was given by the New Orleans Credit Men's Association on Tuesday, August 15. Mr. Brister was elected to the National Board during the 54th Annual Credit Congress in Los Angeles last May.

During the dinner Mr. Brister presented 20 year service pins to secretary Fred L. Lozes and two members of the Association staff.

Pittsburgh Association Has New Service for Members

Pittsburgh: As an added service to members the Credit Association of Western Pennsylvania now keeps a daily list covering synopses of information on items to be procured by the government, quantity to be purchased, invitation number and place of bid opening or issuance.

A weekly list is also being maintained of the names of contractors awarded Army, Navy and Air Force contracts of $25,000 or more, showing items purchased and the approximate value of each award.

Golf Party at Cincinnati

Cincinnati: The annual golf tournament of the Cincinnati Association took place August 17 at Hartwell Country Club. The day's program included, besides golf, cards and horseshoe pitching contests.

Golf Dies Hard in New York

New York: Baltusrol Country Club, in Springfield, N. J., will be the scene of the fall golf tournament of the New York Credit and Financial Management Association on Tuesday, September 19. Attendance will, as usual, be limited to members' representatives.

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New Orleans: Mrs. Edward Pilsbury, wife of the past president of the National Association, has been appointed to serve as a member of the board of selection of New Orleans' outdoor "Hall of Fame."

Convention

(*From page 33*)

nial problem that it seemed advisable to mention it even at this early date so that delegates would realize that *if their stay in the convention city is to live up to their hopes they must follow the rule book in making reservations, in other words, through their Secretary-Managers.*

Headquarters hotel is the Hotel Statler. Located on Park Square just off Boston Common, the Statler is the most modern and most central hotel in the city. It is easily accessible from both stations and is less than fifteen minutes by cab from the airport. Moreover those coming by automobile will find it most easy to reach.

Toward the latter part of this year a preliminary questionnaire is to be sent to all Secretary-Managers requesting a statement of the approximate number of members planning to attend the Convention. This is by no means a final estimate but results of this series of surveys in past years has shown that the figures compiled from them are within 10% of the final actual number of registrants. The Convention Director can, therefore, go to the hotels as early as the first part of March and say in effect "this, give or take a couple of hundred, is the number of people you will have to house." It can readily be seen that from everyone's point of view such a survey can be of immense assistance.

Wisconsin Conference To Be Held at Madison

Madison, Wis.: The annual Wisconsin State Conference is planned for October 30. Members from the host association and from Milwaukee, Green Bay, Manitowoc, Wausau and Oshkosh will take part in the conference. Plans are not yet complete but it has been announced that Henry H. Heimann will be the principal speaker.

Situations Wanted

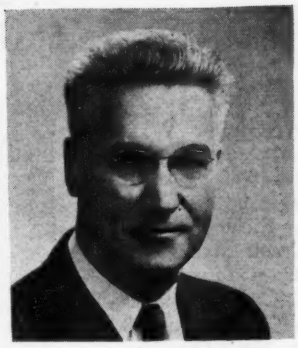
Situation Wanted: Credit Manager, Age 27. Four years' experience as Credit Manager of large cosmetic manufacturer. Tuck School graduate, magna cum laude, 1943. Navy veteran. Desires situation New York City or vicinity. Box S-1, CREDIT AND FINANCIAL MANAGEMENT.

Chicago credit executive desires affiliation with aggressive organization. Capable and congenial sales-credit co-ordinator with 20 years' experience in manufacturing and wholesale fields supervising large scale local and national credit and collections operations. Accounting and legal experience. Best of references. Box S-2, Credit and Financial Management.

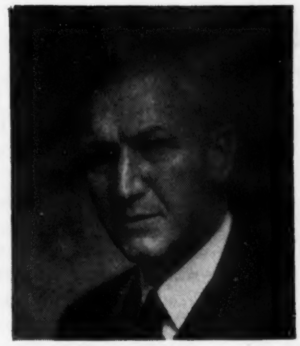
Credit Manager—Substantial experience in national scope industrial credit administration. Especially competent in evaluation of risks and exhaustive collection techniques. Able to handle large volume of receivables with minimum losses. Midwest area employment preferred. Box S-3, Credit and Financial Management.

Assistant to Credit Manager—Last position with wholesale distributor of aviation equipment, automotive parts and household appliances within metropolitan district. Competent in all phases credit and collection work; accustomed to heavy detail. Fluent French and German; married; excellent health. Available immediately. Box S-4, Credit and Financial Management.

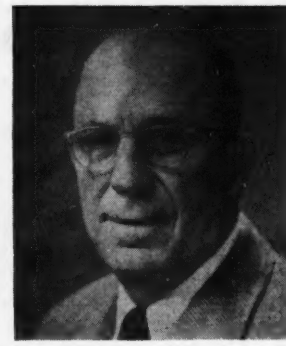
TOLEDO
L. I. Schiermyer
ASST. SECY. & TREAS.
Ohio Citizens Trust Co.



ROCHESTER
W. LeRoy Jordan
COMPTROLLER
Rochester Products Div.
General Motors Corp.



PHILADELPHIA
Charles B. Weidman
CREDIT MANAGER
Phila. Terminals Auction Co.



CINCINNATI
Charles M. Grimm
SECY. & TREAS.
Pollak Steel Co.

ASSOCIATION PRESIDENTS

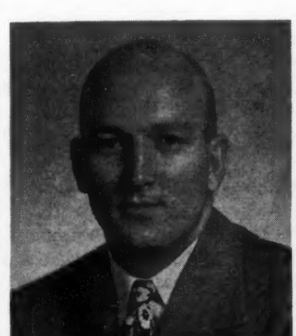
AGAIN, and with real pleasure, we present a group of men who have been chosen to guide their associations through what looks to be a difficult year for credit executives. We salute them, knowing that although they will have the wholehearted support of their members they have undertaken a difficult and sometimes unrewarding task, but one which they face with confidence.

BIRMINGHAM
R. W. Lee
PRESIDENT & TREAS.
Jefferson Plumbers' & Mill Supply Co.

KANSAS CITY
A. H. Buddemeyer
GENERAL CREDIT MANAGER
Jenkins Music Co.

WORCESTER
Carl W. Ribb
TREASURER
Guaranty Bank & Trust Co.

BRIDGEPORT
J. T. Foerth
ASST. SECY. & TREAS.
Bassick Co.



SIOUX FALLS
Howard J. Ahrendt
VICE-PRESIDENT
L. C. Lippert Co.

RICHMOND
T. F. O'Malley
DISTRICT CREDIT MANAGER
Graybar Electric Co.

Confidentially Speaking—

A very hearty welcome, combined with every good wish is extended to these newly appointed representatives of member companies:

SAN FRANCISCO CHANGES — **Miss Barbara Moran** is now Credit Manager at Ralph Montali, Inc. . . . **Albert B. Fredericks** is Credit Manager at Felishhacker Paper Box Co. . . . **A. F. Ahlgren** is Credit Manager for Johns-Manville Sales Corp. . . . **Miss J. M. Stohl,** Credit Manager at California Tire Company . . . **E. E. Cum mins,** Credit Manager, Crescent Pacific Oil Co. . . . **Mrs. J. Chesvick** is Credit Manager for Hotel California . . . **Jerry R. Martin** is now Credit Manager at Bruntons Automatic Service . . . **W. W. Dorr,** Credit Manager, General Electric Credit Corporation . . . **Mrs. E. Graf,** Credit Manager, General Truck Sales Co. . . . **Leif Aasen,** Credit Manager, Hood Rubber Co. . . . **Mrs. Bernadine Wilson,** Credit Manager, Ward Harris Company . . . **William A. Polk,** Credit Manager, Rheem Mfg. Co. . . . **Mrs. Eleanor McDougele,** Credit Manager, Puritan Preserve Company . . . **Thomas M. McMahon,** Credit Manager, Pacific Coast Paper Co. . . . **Wilkes Berry,** Credit Manager, Western Dairy Products Co. . . . **L. Taylor,** Credit Manager, Thos. J. Lipton, Inc. . . . **E. L. Walters,** formerly Credit Manager, Kinney Brothers, Los Angeles, is now affiliated with the American Trust Co., San Francisco.

LOS ANGELES CHANGES — **Paul Marso,** Credit Manager, Standard Brands, Inc. . . . **Richard Tolbert,** Credit Manager, Schwabacher Frey Co. . . . **E. K. Ellis,** General Credit Manager, Shepherd Tractor & Equipment Co. . . . **Mrs. E. Chow,** Credit Manager, Sanitary Egg & Beverage Company . . . **O. E. Ferrell,** Credit Manager, Procter & Gamble Distributing Co . . . **J. L. Katzman,** President, now represents Gavin Rubber Co., succeeding J. E. Gavin, retired . . . **M. E. Samuels,** Comptroller, succeeds J P. Costelle, in charge of Credits at Bardwell & McAlister, Inc., Hollywood . . . **H. W. Hatch,** Credit Manager, A. O. Smith Corp. . . . **J. R. Pitcher,** Credit Manager, Plant Food Corp. . . . **S. F. Miller,** Credit Manager, Wood & Cies Dist. Co. . . . **James R. Mulligan,** Credit Manager, Western Dairy Products, Inc. . . . **Miss Edna Bergman,** Credit Manager, The Coleman Company . . . **Zolton S. Blozan,** Credit Manager, Frigidaire Sales Corp. . . . **N. R. White,** Credit Manager & Controller, The Gates Paper Co. . . . **Charles Brown,** Credit Manager, Kelite Products, Inc. . . . **G. C. Favles,** Credit Manager, E. J. Stanton & Son, Inc. . . . **Robert L. Greene,** Credit Manager, Kemp Hardware & Lumber Co. . . . **Joe Sullivan,** Division Manager, U. S. Spring & Bumper Co. . . . **Lee J. Goodman,** Credit Manager, Kay & Burbank Company.

CALIFORNIA CHANGES — **W. J. Ferrari** is now Credit Manager at Slakey Bros., San Jose . . . **J. W. Brearton** is the new Credit Manager for California Spray Chemical Corp., Richmond . . . **George R. Karr** is Credit Manager at California Container Corp., Emeryville . . . **Harry T. Bayne,** Credit Manager, Chase Candy Co., San Jose . . . **J. S. Evans,** Credit Manager, Shell Oil Company, Inc, Sacramento . . . **A. J. Chavet,** Credit Manager, Capital Wholesale Electric Co. . . . **Peter J. Wegesser,** Credit Manager, Ferguson Frozen Foods, Oakland . . . **H. M. Schooler,** Credit Manager, Sonnet Supply Co., Hawthorne . . . **Alice Elaney,** Credit Manager, J. J. Publishing Co., Glendale . . . **C. M. Wardman,** Credit Manager, International Cementers, Inc., Long Beach . . . **Floyd C. Hood,** Credit Manager, Agar Packing & Provision Corp., Alhambra . . . **Marvin W. Beadles,** Credit Manager, Miller Radio & Television Co., Oakland.

PORTLAND CHANGES — **B. F. Hawkins** has succeeded James Mallicoat, resigned, as Credit Manager of General Electric Supply Corp. . . . **T. W. McLaughlin** is now Credit Manager at Graybar Electric Co. . . . **W. A. Holley,** formerly with F. B. Connelly Co., has transferred to Stubbs Electric Co., as Credit Executive . . . **Robert L. Carrico** is now Credit Manager at General Grocery Co., Inc., succeeding F. A. Dudley, now affiliated with the Portland Association of Credit Men . . . **Ed Kendall,** Credit Manager, Marshall-Wells Company, has resigned to join his father in the furniture business in Middletown, N. Y.

SEATTLE CHANGES — **A. J. Mitchell** succeeds R. F. Stotler as Credit Manager at Crescent Mfg. Co. . . . **W. C. Woodard** is now Credit Manager at Pacific Hoist & Derrick Co. . . . **R. Jonason** succeeds E. N. Anderson, deceased, as Credit Manager for Shell Oil Co., Mr. Jonason was transferred from San Francisco, and previously served in Credits for Shell in British Columbia . . . **A. H. Frost,** United States Plywood Corporation, has been transferred to New York. and is succeeded by **Donald Burtt,** as Seattle representative, while **Donald Sturm** becomes West Coast Regional Credit Manager . . . **Donald Abramn** is now Credit Manager at Thompson's Candy House . . . **Mrs. Emily Trafton** is now Credit Manager at Stolting & Sons, Inc. . . . **Ira H. Alexander,** Credit Manager, The Commission Co. . . . **C. W. Hixon,** Credit Manager, F. B. Connelly Co. . . . **Mrs. Nettie Austin** is now Credit Manager at Huletz-Beezer, Inc. . . . **A. K. Halfyard,** Credit Manager, Langendorf United Bakeries, Inc. . . . **F. F. Gladhill,** Credit Manager, Pan American Wall Paper & Paint Co. . . . **A. G. Anderson** replaced G. E. Churchill as Credit Manager at Potlatch Yards, Inc.

T. E. Reynolds Resigns St. Paul Secretaryship

St. Paul: Truman E. Reynolds, secretary-manager of the St. Paul Association of Credit Men since 1929, retired effective September 1.

Mr. Reynolds has lived in Minnesota since 1901 and joined the St. Paul Association in 1917. He served on many of its committees and on the board of directors and was elected president in 1923

He is succeeded by Jerome W. Beardsley who has been manager of the Credit Managers Service, Inc.

Interchange Mechanics Explained

New Orleans: E. C. Blake, chairman of the New Orleans Association's Credit Interchange Committee, explained the workings of Interchange, what it is and how it should be used, at the August 23 luncheon meeting.

Promoted by Blatz

Milwaukee: Leo C. Steil, veteran sales representative of the Blatz Brewing Co., has been promoted to the post of Credit Manager for the Company, Blatz President Frank C. Verbest announced.

Steil, who will assume his new duties immediately, replaces Hugo A. Doege, who died recently.

Baltimore Past President Heads Symphony Committee

Baltimore: Stanley B. Trott, president of the Maryland Trust Co., and immediate past president of the Baltimore Association of Credit Men, has been appointed chairman of the 1951 membership drive of the Baltimore Symphony Orchestra Association.

20th Anniversary Planned

Pittsburgh: The Pittsburgh Credit Women are planning a large celebration September 16 when the group celebrates its 20th anniversary. The meeting is to be held at the University Club and members of the Association and their wives have been invited.

News from

CREDIT WOMEN'S GROUPS

St. Paul: The St. Paul Wholesale Credit Women's Club held their annual summer picnic meeting at beautiful Como Park on August 11. The Credit Women's Club also entertained recently at a delightful evening party honoring Mr. Truman Reynolds, who retires as of September 1 after having most ably served as secretary of the St. Paul Association for many years. We spent a wonderful evening with Mr. and Mrs. Reynolds, the party being at the home of Miss Elso Stjernquist. Our first fall meeting in September will be in the form of a White Elephant Sale which usually starts us out with a sufficient amount of capital for going expenses.

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Minneapolis: Miss Loretta Fisher, National Vice Chairman from Milwaukee, spent a few days in Minneapolis conferring with Miss Dorothy Teckler, President of Minneapolis Wholesale Credit Women, and Miss LaVerne Willman, Chairman of the Education and Scholarship Committee for the Minneapolis Association of Credit Men. Four courses are being offered through the association office this year: Credits and Collections, Business Law, Public Speaking, and Applied Psychology. The latter is an additional course being offered for the first time this year.

The Minneapolis Wholesale Credit Women will start the season with a group meeting on Tuesday, September 12th. Mr. Brace Bennitt, Association Secretary, will talk on "Membership Values," and Mr. Irl Clark, incoming President of the Minneapolis Association of Credit Men, will talk on "Activities and Functions" of the Association.

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Cleveland: The regular business meetings of the Cleveland Credit Women's Club were not held during the months of July and August, but on Saturday, July 15th, Miss Anne Linde, one of the charter members, had the girls out for their Annual Outing at her beautiful farm in North Ridgeville, Ohio.

Drawing for the annual Scholarship to Cleveland College was held after dinner and this year Mrs. Aleta Worley, of Consolidated Iron-Steel Mfg. Co., was the lucky recipient, with Miss Mary Davis, of The Geo. Worthington Company, as an alternate.

On Saturday, August 5th, Mrs. Kenneth S. Thomson, charming wife of Executive Secretary Ken Thomson, was hostess to the group at a tea in their lovely Shaker Heights home. Colored movies covering the Cleveland delegation's trip to California in May were one of the nice things planned. The girls were grateful to Mr. David Hotchkiss, one of the Vice Presidents of the Cleveland Association, and Hammond S. Thomson, also of the Association, for these beautiful pictures.

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Philadelphia: Elizabeth Gaynor, of The M. A. Hanna Co., invited the members of the Philadelphia Credit Women's Club to a swimming party in the afternoon and they later attended the dinner at the Llanerch Country Club following the golf tournament. Wives of Association members were also present and fifteen delegates from the Credit Women's Club were dinner guests. Door prizes were distributed.

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New York: Mrs. Kate McSherry, mother of Marian McSherry, chairman of the National Credit Women's Executive Committee, died September 2.

Golf Outing at Philadelphia

Philadelphia: The Second Golf Outing on August 22, 1950, held at the Llanerch Country Club was a huge success in every way. There were twenty golfers and L. E. Hennessey, of General Electric Company, was the winner of the tournament with a low gross of 81; the runner-up was R. T. McDermott, of Camden Lime Company, with 89. Numerous prizes were distributed to the winners at the dinner which followed.

NIC CHAPTER ACTIVITIES

Baltimore

Baltimore: The Baltimore Association's fall educational plans call for a basic course in credit and collections which can also be taken as a refresher course, and an advanced class in credit management problems.

The courses, conducted at Johns Hopkins University, will be taught by George T. Brian, Jr., Noxzema Chemical Co., and Rumsey L. Newbraugh, Crosse & Blackwell Co., respectively.

Boston

Boston: The Boston Chapter, National Institute of Credit, will hold its opening meeting of the 1950-51 season on Thursday, September 28, at 6:00 P.M., at Perkins Hall, The Women's Educational and Industrial Union, Boston, Mass.

The Chapter will present as its speakers for the evening, Dr. Carl D. Smith, National Association of Credit Men, on "Educational Curriculum," and Carl B. Everberg, Assistant Professor of Law at Boston University, on "Legal Aspect of Credit."

The 1950-51 educational program of Boston Chapter is again presenting a course in "Credit and Financial Management" leading to Associate and Fellow awards. The classes are to begin in September at Boston University and Northeastern University.

New York

New York: The New York Institute of Credit held its annual fall rally September 7 at the Hotel Statler. The major part of the evening was spent in social activities.

A short business meeting was held. Brief addresses were made by the Institute's founder, David E. Golieb, J. A. Degnatel & Son, Inc.; past national president William Fraser, recently retired from J. P. Stevens & Co., Inc., and Richard E. McCormick, William Iselin & Co., Inc.

Los Angeles

Los Angeles: Students in Los Angeles wishing to acquire an education in credit management this year will not only find it available but they have a choice of three colleges, all offering credit courses in the evening.

The University of California is offering four related courses, one of which is being taught by past national vice-president Fred J. Carpenter, and another by Los Angeles president Robert D. Roberts. Los Angeles City College has three courses scheduled as does the University of Southern California.

Rochester

Rochester: The Rochester Association of Credit Men is sponsoring a new Management course starting October 2. The course has been designed to have a wide appeal to members and assistants.

THIS IS WAR!

or

Laugh, clown, laugh! Nobody else is going to!

by
DUOCEPHALUS

THERE is a base canard current in the field of credit management that a letter emanating from a credit department is a better letter if it is a "funny" letter. This odd rumor derives from another of equally flimsy foundation which holds that the recipients of all letters from all credit departments are imbeciles.

Who starts these rumors and why anyone bothers to pass them along are questions that I am not qualified to answer but of their existence I can produce what to me seems unanswerable proof.

During the hot, muggy days of a New York summer I have spent a little time poring over articles on credit department correspondence. Some of them were most rewarding; some were fabulously awful. Some of them appeared in this august periodical, some elsewhere. But the frightening thing about many of them is this advocacy of the "light touch," the "josh-'em-along-and-they'll-come-across" attitude.

The professional funny man, the "card," is apparently one of those things you can do nothing about, except run for your life. It's a weird and horrible animal that preys on people who haven't learned to be outspokenly rude. More "cards" are tolerated with astonishing Christian forbearance than you would ever imagine.

SOCIALLY, if you encounter one of these wits you can always dash for cover. But can you imagine the fury which can be generated in someone who owes you money, and probably feels pretty bad about it, when he receives a ha-ha funny collection letter?

A debtor who is worth his weight in lead is a man of dignity who is trying to figure out a way whereby he can—again with dignity—keep the wolf from the door and his head erect. And he just plain doesn't like it when some jerk writes him "joshing" letters demanding—in a very humorous way, of course—the very money he's sweating to gather up.

The use of heavy-handed "humor" is bad enough in a collection letter, but in a letter explaining your own mistakes it is even more inexcusable, if possible. It assumes a mental age on the part of the reader which is frighteningly low. The whole attitude of many "funny" letters is "izzums a good ickle customer?" in the early stages and "come across or daddy spank" in the later. In either case the insult is gross and the lack of any kind of perception of elementary public relations on the part of the writer incredible.

I have before me, for instance, an example of a letter purportedly to be written to a customer who has been billed by mistake for some merchandise which was sent to *another* customer. That is a serious matter, but this letter-writer approaches it in a quasi-humorous, shrug-it-off-as-a-little-matter-of-no-moment attitude. In actual fact the letter starts thus:

Here's what actually happened!

"Here's what actually happened," it starts. Get that, for the next few sentences are going to be hard to stomach. "Here's what actually happened: our bookkeeper's husband was due back from overseas duty at the time your bill was due,"—this was in wartime—"and every time the phone rang, she jumped. Well, it must have rung about the time she was crediting your check, because she jumped right over Ernest F. Smith to Ernest J. Smith—and his account got the credit for your check."

Man wants you to believe that

Are you going to your Regional Conference? L. D. Duncan, member of the National Board has a message for you. Turn to page 33.

that is what actually happened!

(There will be a short interval for nausea.)

Feeling better now? Let's go on.

BOB HOPE is not qualified to replace a good credit executive and he would be the first to admit it. As far as is generally known none of his colleagues in his particular trade is qualified either. In the same wise if there is a credit manager qualified to replace Bob Hope, he hasn't shown himself yet. In fact there are very, very few (conscious) comedians in the whole world.

Before mailing a humorous letter on any subject you'd better make sure it's humorous. It is perfectly possible that you are the greatest humorist in the world; it is far more probable that you are nothing of the kind and are just being a bore. Find out which you are well in advance; your customer is the last possible person in the world to experiment on.

One thing which so many of us forget particularly about most past due customers is that they *hate to be reminded*. They know they owe you money. They haven't forgotten. If they are even slightly honest it bothers them. Only the completely hardboiled chiseler is entirely unworried. So you approach a man who owes you money and is unhappy about it with a childish attempt at humor which at its best will make the reader slave to pay you off so that he will never—literally—have to hear from you again. He wants to get rid of you—fast. That's good for now since you get your money but warn your salesman not to show his face in *that* customer's office again. As far as you are concerned he is a dead duck. You killed him.

Letter to the Editor

Dear Mr Tobin:

Over twenty years ago I became involved in the collection business, and being of a studious mind I hied me to the library to investigate and study the literature on credits and collections from all possible angles. I was staggered to discover there were several hundred volumes to plow through. It seemed that every university had its pet texts; that every publisher had his pet authors. Despite the diversity of titles, there was a pedantic sameness and sterile dust embracing ninety percent of the volumes.

Credits and collections seem to be studied more as theory than as a practical technique, and such discussions as are carried on appeared to be carried on in a vacuum with little indication that the subject has dynamic, pulsating life, changing from day to day, state to state and city to city.

Several years ago I was compelled to review the entire subject once more. The old favorites were still there. They were much bigger and more expensive. The increase in size was entirely due to additional words, but I could discern few additional ideas. Such revisions as had been made by the old hands, were of a technical nature. The atmosphere of the hothouse continued to prevail. In addition, there was a myriad of newcomers, which I dutifully examined. I came away with a feeling of high optimism and satisfaction, and an overwhelming belief that God was in His Heaven and all was right with the world. As long as the credit fraternity subsisted on such pabulum, I foresaw a brilliant and prosperous future for the collection business.

You, my dear Sir, have caused a chill blast to course down my spine when you undertook the publication of a series of articles by one Helen M. Sommers, a rabble rouser if ever I seen one.

I wonder how many credit men who will read them will realize the revolutionary approach, both in idea, content and method, that she advocates. This is the first attempt, to my knowledge, to grapple with the realities of the problem dynamically, in clear, concise and immediate language.

I seriously propose that ninety percent of the present literature on credits and collections be summarily burned; that all present schools be suspended; and that we all start at the beginning and learn the fundamentals of our trade from Helen M. Sommers.

The fact that I write is the ultimate test of my sincerity. Obviously, the more inefficient the credit man, the greater is my profit.

Why do I stick my neck out? I suspect that the fate which overcomes altogether too many seminal minds, will lay La Sommers by the heels; she will be ignored.

Sincerely
S. Gurewitz
Bruhnke & Silver
Chicago

In The Modern Office

A NEW Leader Adding Machine has been introduced by Underwood Corporation for distribution through the company's 7,000 portable typewriter dealers in

the United States. Featuring the natural sequence ten-key keyboard, this new adding machine is especially designed for small business and home use.

The machine will list up to 9,999.99 and total to 99,999.99. Features for operating convenience include automatic sub-total, multiply repeat key, non-add total key, correction keys and paper release lever. It contains an adjustable paper roll holder for narrow and wide rolls and the noise reducing plastic case is finished in non-glare Underwood Fawn.

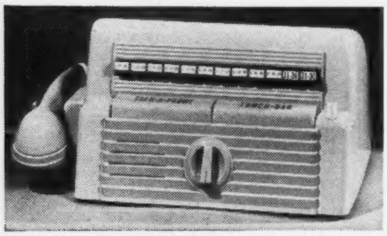
REMINGTON RAND'S new line of low-priced "Revere" file cabinets is described at length in an introductory booklet just issued by that company.

The new files, according to the brochure, contain many of the same advantages of durability and fine craftsmanship found in the premium-grade "Aristocrat" cabinets, yet are designed especially for those filing operations in which economy is a major factor.

Available in three-, four-, or five-drawer cabinets, and with either letter or legal sized drawers, the files are extremely flexible in that substitute drawers may be employed to accommodate variously sized cards, documents or miscellaneous material in box drawers. The files can also be readily equipped with special devices such as Flexi-File, a unique system of linen "hammocks" which prevent filed papers from slumping.

The booklet, identified as LBV 538, may be obtained from any Remington Rand Branch Office, or by writing to the company's home office at 315 Fourth Avenue, New York 10, N. Y.

The Talk-A-Phone Company, 1512 South Pulaski Road, Chicago 23, announces a new "Redi-Power" model. Equipped to handle up to thirty master stations, the model has self-compensating power output



control that automatically supplies exactly the output needed. Whether you call one-two or twenty stations each one receives its full predetermined volume, the manufacturer claims.

From a Banker To a Credit Man

(Continued from Page 13)

man to whom the letter was addressed showed it to the son, and the son, in turn, when the father visited him in the East, showed it to the father. We still remember the explosion which occurred when our former customer returned to San Francisco. We had acted in good faith. We had done our utmost to present accurate information to a presumably responsible credit manager. We had done everything we could to protect the interest of our customer, but the indiscretion of that credit manager was costly to us, and, needless to say, any subsequent inquiries from that particular individual or the firm which he represented would not have resulted in our supplying him or them with any great amount of useful information.

We want to know, when we supply you with information, that you will use it properly, and we want also to know that the concern which you represent is reputable in its credit relationships, and that in the event we disclose information to you on the basis of personal confidence your company will not subsequently use that information to our embarrassment. I have read the canons of commercial ethics adopted by your National Association and applaud you for the fine, high, ethical standards set forth. I know, from them and from contact with members of your association, that we are not likely to experience unpleasantness when dealing with your members, but I think it is important that you understand the seriousness with which banks view even small breaches of confidence.

Another suggestion I would like to make is that credit men avoid the practice of indiscriminately revising their files when they have no real and present need for information.

THE last suggestion that I have to make is that you avoid, on behalf of friends, going on "fishing expeditions" to satisfy curiosity in your correspondence with your bank. If you have a real use for bank credit information by all means request it, but try to avoid using your bank as a retail credit bureau.

In summing up I would like to underline four things:

First, your bank likes to be considered a friend and partner in its relations with you, and is constantly seeking means of improving its service to you. Don't hesitate to ask your banker for help.

Secondly, bankers are human beings, and enjoy knowing their customers. Get to know your bank's credit men intimately and well.

Thirdly, in requesting credit information from your bank, lay all your cards on the table. Your confidences will be respected and you will get more information than you would by concealing facts.

Fourthly, never violate the confidence placed in your by your banker.

If you observe these simple rules in dealing with your bank, I am sure you will find that your banker will be one of your most important sources of credit information.